

## SPECIAL COUNCIL MEETING

May 30, 2012

The Special Meeting of the Council of the County of Kaua'i was called to order by the Council Chair at the Council Chambers, Historic County Building, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, May 30, 2012 at 9:10 a.m., and the following members answered the call of the roll:

Honorable Tim Bynum  
Honorable Dickie Chang  
Honorable KipuKai Kualī'i  
Honorable Nadine K. Nakamura  
Honorable Mel Rapozo  
Honorable JoAnn A. Yukimura  
Honorable Jay Furfaro, Council Chair

### APPROVAL OF AGENDA.

Mr. Chang moved for approval of the agenda as circulated, seconded by Ms. Yukimura, and unanimously carried.

Chair Furfaro: Now for the general public, I would like you to know that this Special Council Meeting is focused particularly on our Operating Budget, our Capital Improvement Budget for the County of Kaua'i, and I would like to say that at this particular time since we have three communications that turned over into three Resolutions, I would like to say that public testimony will be taken in the beginning of the day for the budget items, and we have two separate agenda items that come up as separate items regarding the Salary Commission and a presentation on the feasibility of a certified commercial kitchen for the County. That will not be part of the morning discussion. I will take that as the second part. So it is important that we start our discussion and open the floor to public comment this morning on any item in the budget communication or the CIP. Is there anyone in the public that would like to testify this morning on the budget and the CIP? Mr. Mickens, you have the floor.

There being no objections, the rules were suspended.

GLENN MICKENS, RESIDENT: For the record Glenn Mickens. Thank you, Jay, Dickie. I missed this last week, my testimony. I gave you another copy of it, and I appreciate Jay's diligence in advising the public that we did have today to be able to give it. So let me read it for the viewing public. I hope you folks all have a copy of KipuKai's May 18, fourteen-page thing. I thought it was excellent and that is basically what my testimony is about. My comments regarding this Marathon continue to revolve around the outstanding report, which Councilman

Kuali'i put together May 12, 2011. The first page of his 14-page booklet pretty well hits at the heart of what was and is being done wrong with the way this race is being programmed. For the viewing public, I quote "The issue at hand approving a total of two (2) years (now it is four (4) years) of County funding to the Kaua'i Marathon, TKM, a new struggling private nonprofit that appears to be run and supported by individuals from out-of-State. He goes on to say that Jeff Sacchini, the race founder and owner, publicly stated that he was 'not willing to invest his own moneys beyond the first three (3) years.' However, the TKM five-year proforma shows that Sacchini is pulling back all of his financial support after only two (2) years. Mr. Sacchini, a very successful businessman, as KipuKai point outs, invested at total of \$352,000.00 in the first two (2) years of this event. But the five-year proforma showed a net loss of \$352,000.00 in those years. So now in 2011, 2012, and 2013, Mr. Sacchini has put no more of his own money in this venture, something any probably, any good businessman would probably do. And the Kaua'i Visitors Bureau (KVB) has contributed a mere \$96,000.00 in total in 2009, 2010, and 2011, and no more in 2012 and 2013. Hawai'i Visitors Bureau (HVB) was even less interested in helping promote this race as they contributed \$30,000.00 in 2011 and that was it. If this is such a signature event as the proponents of the race have said, then why is not KVB, HVB and other State entities financially backing it a lot more. KipuKai also delves into the revenue shortage, TAT revenues, key partners, sponsorships, a winery that was sponsoring the race since 2009, which goes against everything the County of Kaua'i and Anti-Drug Programs stand for and works on every day. KipuKai believes that possibly they have taken that sponsorship away, I am not sure. Charitable giving, amounts raised was too little; registration fees, advertising, and marketing, TKM taxes, and audit financials, "as of April 6, 2011, no documentation proving TKM was compliant with their GET taxes, nor have they provided any validated financials of the two (2) Marathons they have already completed." If these issues have since been addressed, then I am sure Mr. Kuali'i as well as the public will be satisfied. I am sure that you members still have my written testimony of 5/16 with a lot of unanswered questions. Councilwoman Nakamura also asked a good question the week before. How long will the directors of this race keep asking Council for grants of tax moneys going to continue this event. I believe a better question would be why should tax dollars be funding any private function, and how will this Council or Administration ever be able to deny any organization getting funding or grants when the precedent has already been set with this race. I once again appeal to the Members of this Council who are supporting the race to carefully reconsider their actions and adhere to what Councilman Kuali'i has so well outlined in this report.

Again, I hope that from this report if any of you other Councilmembers that are for this race/support it, take a good look at what Councilman Kuali'i is saying in these things and if you oppose what he is saying or have conflicts, I would appreciate you bringing it up with the him or saying well, I do not agree with you or whatever. You have your points, he has his. I read this thing carefully and I completely support what he says. Anyway, that is my testimony. I had one here...has my time run out, Jay?

Chair Furfaro: Yes, three (3) minutes has run out about a minute and a half ago, so you still have a minute or so.

Mr. Mickens: Okay, if I can very briefly...

Chair Furfaro: As long as it is on the budget.

Mr. Mickens: Yes, okay, this is on the same subject. My friend Rob Abrew could not be here today, and he had three questions that he had asked. I will read it for the public.

Mr. Abrew's written testimony: (1) Since the five-year proforma financial statement does not break down the fees, commissions, and taxes, was the GE tax paid for this race? And if it was not paid, where is the exemption listed? (2) County Code requires an application to be filled out for any grant given by the County with tax money. Did the County fill out such an application since they were the ones authorizing the grant to be given, and he would like to see a copy of the application. (3) Since one of the primary sponsors of this race is a wine company (again, I went into this before), again, I think it goes against everything you folks have always said, we are fighting, trying to keep our young people off of drugs, and to have a wine company as a sponsor for it, I think it sends the wrong communication. Do any of you know whether that their sponsorship has been terminated or not, by chance?

Chair Furfaro: What we will do is we will send Rob's questions to George in Economic Development and let George answer it.

Mr. Mickens: Okay, fine. Thank you very much, Jay. We appreciate it.

Chair Furfaro: Is there anyone else in the audience that wants to give testimony on the budget or the CIP?

KEN TAYLOR, RESIDENT: Chair and Members of the Council, my name is Ken Taylor. I, too, am concerned about having the Marathon issue in the budget. We currently give something like a million dollars a year to the Kaua'i Visitors Bureau, and they see fit to put nothing in here, and I think that is where the money should be coming from for the Marathon, not a separate budget item. I think it is just completely wrong, and the little bit of benefit that we get, especially we know that this year we are expecting to hit an all-time record this summer of visitors here on the island, so why is it necessary to spend this \$100,000.00 when it looks like a combination of things that are going on is doing the job. So I would also just like to say that I think it is really a sad situation that we are hiring lots of new staff people and so on, we have an economy right now in this Country that is showing a little blip up, but it is being propped up by manipulation of activities on the Federal level.

I am sure some of this is coming from the stimulus money, billions that were put into stimulus activity, and I am sure that after November's election we will see things change drastically. But I just think it is wrong that we are spending a lot more money instead of cutting back and being prudent as we move forward in these very difficult times. I think that it would make more sense to be cautious and not get tangled up in this blip of increase in the economy that is not going to be sustainable. Thank you very much.

Chair Furfaro: Ken, I just want to correct a couple of your statements. The all-time high for the visitor count on Kaua'i was in 2002. It hit 1.2 million visitors to Kaua'i. We are somewhere just slightly over a million. The statistics we see in the paper, the Visitor Industry is making a comeback. That is quite correct, but not to what you determined as a record level. The record level was several years ago.

Also, I need to point out too, to get to that occupancy increases, they have to actually discount their daily average rate, the rate for the State is down about 6.8% from that high. I just wanted to make sure we had the correct information.

But thank you for your testimony this morning.

Mr. Taylor: My comments were only in reference to comments that George Costa made last week at a meeting. Thank you.

Council Chair Furfaro: Thank you very much. Is there anyone else today that would like to testify on the budget or the CIP at this point? If not, I do want to say at this point that this Council has been together for the last month and a half, almost six weeks, and one of the things that happened in this process, of course, is the fact that we often dealt in the spirit of compromise through back-and-forth negotiations with the Administration, with Members ourselves, hearing from the business community on things that need to take some immediate attention, and I do want to let you know there are two ways to approach this. And this budget reflects the fact that we would like to do whatever we can to stimulate economic activity, and it should not be misconstrued as the presence that we are overspending. I think that is very important as my view of the budget. *He waiwai nui ka lokahi*, work together to get us to some common goals and that is what we are attempting to do. I do want to say that unity in these challenges is precious, and we all being very respectful of one another to get us where we needed to be over the last six (6) weeks to get us to this point. But some investment by the County is being made in everything that we possibly can do to diversify the economy. If you heard the message today, the Revenue Council of the State of Hawai'i is \$100,000,000.00 short. They have exhausted all of their reserves, whether it is the Rainy Day Fund, the Hurricane Fund, and we are trying to do what we can to keep activities at a level that is respectable for our slow but constant economic recovery. So I just wanted to share that with you folks on the comments. It is an effort of compromise and collaboration to get us where we need to be. Vice Chair Yukimura.

Ms. Yukimura: Yes, point of information, in asking for testimony, Chair, on the budget and CIP, you also include the tax rate?

Chair Furfaro: If somebody wanted to testify, it is on our budget.

Ms. Yukimura: Yes, I just wanted to make clear to the audience that...

Chair Furfaro: Absolutely.

Ms. Yukimura: For any of that.

Chair Furfaro: The budget is made up of a series of expenses. It is also made up of a series of revenues. So is there any more public testimony at this point? I just wanted to share with you folks my point about *lokahi* and working together and compromising to get us to this point. I think I saw Joe Rosa walk in. Do you want to testify on the budget items, sir?

JOE ROSA, RESIDENT: Good morning, Members of the Council. For the record Joe Rosa. Well I am here in regards of the so-called budget funding. My concern is on that Marathon, four (4) consecutive years in the red. How many more years are you going to be in the red with something like that there? And there is no guarantee that they will get over the hump this year. Because from what I have witnessed and from what I have heard from people that includes tourists and I guess the same thing goes for these Marathon runners, Kaua'i offers nothing at night for nightlife. So the younger ones are going to come once, see how it is over here, they will not come back next year because that goes the same thing with tourists. I used to experience when Dickie Chang was a young boy as a tour guide. They used to say, one (1) day here, one (1) night here, tomorrow we are catching our plane, we are going back to Waikiki. There is no nightlife for the younger people around here. There is no Jetty, you have only Golden Cape, things like that there. They like to see the shows. They like Hawaiian shows. There is nothing here on the island of Kaua'i to show anything. Larry Rivera, he has one show at 8 o'clock, pau, that is it. After that they fold up the Coco Palms. So why continue spending money foolishly when we are on a tight schedule as far as spending, four years just giving away. What is to keep the Rotary Club or the Kiwanis or anybody else from coming before the Council and ask for a donation and such? There will be no end. You cannot be just spending taxpayers money and not giving the citizens here locally something. To me all that money does not stay here on this island, as far as disbursement through prizes and expenses. They should get the business firms that benefit from it, the U-Drive, the hotels, restaurants, and stuff to put up that money because they are the ones who are going to benefit, not you and I as the taxpayers here. Those are the kind of things you have to think about. The people, you represent the people, so a lot of these expenses, sometime, yeah, you will give it a try. But you are going to continue and continue and be going in the hole. Dickie

Chang is my friend. I know he is on the Tourist Committee here, but I hope that he just does not hate me for it for expressing my feelings that I have had and I heard from the public. So that is why I am here to say my piece. I am not a Councilman, but I hear a lot of complaints from people. They address me. What happened to you? Were you sick? I do not see you. So I am here, that is why I am here. That is why I tell them, it is not only me that needs help. You call your Councilman and you tell them how you feel. If you feel the same way I do, let them know because they cannot be running hog-wild with taxpayers money, when it can be used here locally for the seniors, senior programs or other things that the overall people of Kaua'i will benefit. It is high time that we wake up, the whole island, the people, you as a Councilman who do the legislation, do something, and keep the money here because that Marathon stuff, the winners take the money back with them. It does not stay on Kaua'i. After that thing is over, most of them, they vamoose. They go back to where they came from. So those are the kind of things like...I am an elderly person, but there are a lot of elderly people out there that need that money and the help.

Another thing is that bike path and stuff. Now I am going to share on the bike path, a little of that too. We are not even finished with the whole thing and you are putting in side tracks from the Kawaihau Road going up to the Mahelona Hospital. Finish what you have to do first, then you do the sidetracks, like that there. You know you cannot be spending people's money. And those Marathons is not going to be something spectacular. Kaua'i is not made like those big boardwalk pathways they have in Santa Monica, in Seattle, in Chicago that I have seen. Kaua'i is not and will not make it. Kaua'i is just a fad. It starts out good, then it just fades out. So those are the kind of things I will leave with you people to think about. It is just a fad. Take the Ahukini Road. Nobody cleans it anymore. Where are all the groups that started out? It goes back to the State now, again. So think about those things. Kaua'i is just a fad. It works good, but it just does not end good. So why continue now supporting the Marathon after four (4) years of failure? Those people should go out...the director should go out and see the hotels who benefit from it. See the businessmen around here. Do you think the business man is going to say, oh, I do not benefit from it? They do not come and shop in the Rice Street area. They go to Kukui Grove or they go to Kukui'ula, wherever. Go see those people and you will see if you are going to get a dime from them. Think about those things. Do not just hit the taxpayers here on this island. We have enough in taxes. We are up to our neck in taxes. A lot of the people here are retirees, old plantation workers. So those are the kind of things, as I say, you do not just spend the taxpayers money. You think about the taxpayers, even like as I say, when you people get raises, you get...

Chair Furfaro:

That is your time up.

Mr. Rosa:

Okay, anyway, let me just say one thing. When you get raises, you get them in the thousands. When the poor laborer gets a raise, he gets only \$10.00 or \$20.00, but they live with it, so I do not think you need a

thousand dollars to live also. So those are the kinds of things you should look into your budget. I thank you.

Chair Furfaro: Thank you, Mr. Rosa. I do want to point out that something was mentioned earlier that we are giving the Visitors Bureau a million dollars a year. The reality is the Visitor Industry gets \$140,000.00 from the County of Kaua'i, and the reality of the recent moneys, it was given in two-year increments of \$500,000.00 each when we were at the very, very bottom of the economic recovery. So I just wanted to create the statement again that they are in receipt of a million dollars a year from the Kaua'i County. Okay, is there anybody else that would like to testify on the budget before I begin reading the communications? Anyone? Okay, thank you. Can I have the first communication read under Section E?

There being no objections, the meeting was called back to order, and proceeded as follows:

#### COMMUNICATIONS:

C 2012-158 Communication (05/08/2012) from the Mayor, submitting his supplemental budget communication for Fiscal Year 2012-2013 and proposed amendments to the budget bills, pursuant to Section 19.02A of the Kaua'i County Charter: Mr. Chang moved to receive C2012-158 for the record, seconded by Mr. Rapozo.

Chair Furfaro: Any discussion, Members, on this communication? To the Clerk's Office, before I call, let us read all the communications on today's agenda. But for this one, I can just accept a voice vote?

The motion to receive C 2012-158 for the record was then put, and unanimously carried.

C 2012-172 Communication (05/09/2012) from Councilmember Nakamura, requesting the presence of Chuck Wolfe, Principal, Claggett Wolfe Associates, to provide an update on the feasibility study for a Certified Commercial Kitchen Business Incubator serving Kaua'i County.

Council Chair Furfaro: May I have a motion to receive this communication?

Mr. Rapozo moved to receive C 2012-172 for the record, seconded by Mr. Kuali'i.

There being no objections, C 2012-172 and C 2012-173 were moved to the end of the agenda.

COMMITTEE REPORTS: Committee of the Whole

A report (No. CR-COW 2012-13) submitted by the Committee of the Whole, recommending that the following be received for the record:

“COW 2012-05 Communication (05/17/2012) from Committee of the Whole Chair Furfaro, transmitting the proposed increases to, deductions from, and other proposed amendments (plus/minus sheet) to the Mayor’s Fiscal Year 2012-2013 Annual Operating and Capital Improvements Budgets,”

Mr. Rapozo moved for approval of the report, seconded by Mr. Chang, and unanimously carried.

A report (No. CR-COW 2012-14) submitted by the Committee of the Whole, recommending that the following be approved as amended:

“Resolution No. 2012-30, A RESOLUTION ESTABLISHING THE REAL PROPERTY TAX RATES FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013 FOR THE COUNTY OF KAUAI,”

Mr. Rapozo moved for approval of the report, seconded by Mr. Chang, and unanimously carried. (*See later for Resolution No. 2012-30, Draft 1.*)

A report (No. CR-COW 2012-15) submitted by the Committee of the Whole, recommending that the following be approved as amended on second and final reading:

“Bill No. 2431 - A BILL FOR AN ORDINANCE RELATING TO THE OPERATING BUDGET AND FINANCING THEREOF FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013,”

Mr. Rapozo moved for approval of the report, seconded by Mr. Chang, and unanimously carried. (*See later for Bill No. 2431, Draft 1*)

A report (No. CR-COW 2012-16) submitted by the Committee of the Whole, recommending that the following be approved as amended, on second and final reading:

“Bill No. 2432 – A BILL FOR AN ORDINANCE RELATING TO CAPITAL IMPROVEMENTS AND FINANCING THEREOF FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013,”

Mr. Rapozo moved for approval of the report, seconded by Mr. Chang, and unanimously carried. (*See later for Bill No. 2432, as amended, to Draft 1.*)



RESOLUTIONS:

Resolution No. 2012-30, Draft 1, A RESOLUTION ESTABLISHING THE REAL PROPERTY TAX RATES FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013 FOR THE COUNTY OF KAUAI: Mr. Bynum moved for adoption of Resolution No. 2012-30, Draft 1 on second and final reading, seconded by Mr. Chang, and carried by the following vote:

FOR ADOPTION: Bynum, Chang, Nakamura, Yukimura, Furfaro	TOTAL – 5,
AGAINST ADOPTION: Kualii, Rapozo	TOTAL – 2,
EXCUSED & NOT VOTING: None	TOTAL – 0.

BILLS FOR SECOND READING:

Bill No. 2431, Draft 1 - A BILL FOR AN ORDINANCE RELATING TO THE OPERATING BUDGET AND FINANCING THEREOF FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013: Mr. Bynum moved for adoption of Bill No. 2431, Draft 1, on second and final reading, and that it be transmitted to the Mayor for his approval, seconded by Mr. Chang.

Chair Furfaro: Members, I would like to let you know at this point, this is where I am going to ask to go around the table according to our rules to take commentary from the Members before I call for the roll call. I also want to make sure that you note in our rules that no member can speak more than five (5) minutes on any item, but I am going to make an exception for six (6) minutes as we go around the table as you get your thoughts together. I will hold my comments to the very end on Bill No. 2431, Draft 1. Is there anyone that would like to speak first?

Ms. Yukimura: I guess I will go, Chair.

Chair Furfaro: You are welcome to go first.

Ms. Yukimura: Thank you. During my years of service, I have been through many budgets as a Councilmember and as Mayor, and while we still have far to go in developing a good budget review process, I am very grateful for what we have done this year because I think we have made very significant progress. It has been the most thorough and open of Council reviews that I have been through and daresay the best in twenty (20) years even when I have not been here. It has been the boldest, in terms of Council initiative and a registering of Council concerns, and it has been the most collaborative. Even with heated arguments, we have really tried to listen to and respect each other. We have done a lot to educate each other and the public with our questions and our individual research, the Chair's budget presentation comes to mind, our Finance Chair Bynum's presentations come to mind, and each of us have had different questions that we have either raised or we have sent to the Administration that has helped us learn and understand the issue surrounding the budget. I also feel that we have

tried to focus on problem solving and rise above our personality differences and so forth. So in that way, for me, it has been a very good budget.

And I want to thank the Chair first and foremost for his leadership, first of all for supporting Councilmember Bynum's request that the budget process be telecast. That has been happening since our last budget session, but that set a really good precedence for openness and transparency. It has been good to include the budget throughout this process and I know many have watched and learned, and some have given input. I believe it builds a very democratic process in our County. The Chair has been skilled in navigating through difficult issues, a new Administrative team and process, and seven opinionated and strong-minded Councilmembers, and I am including the Chair here because leadership does include self-reflection and a balance of initiative and restraint, and I feel that Chair's leadership has been very important in helping us get through this budget process.

I want to thank each of my colleagues. Each of you have contributed to the process and to my ability to make decisions on the budget. I have appreciated Finance Chair Bynum's passion and due diligence and perseverance through some very difficult personal circumstances, and in spite of the distractions, Councilmember Bynum was able to raise some very important issues and considerations about our budgetary surplus and real property taxes. And I appreciate that his research and laying out of the facts allowed us to reach the tax relief for homeowners that is included in this budget. I have so appreciated the groundwork that Councilmember Nakamura did in preparing for the next steps in implementing our Comprehensive Economic Development Strategy for the County that will lead to diversification, economic stability, and more jobs. And I have appreciated her understanding of strategic planning and how to move from goals to action and results. I am very thankful for Councilmember Rapozo's passion for public safety, his willingness to speak his mind, and his quick learning of parliamentary procedure, and how this County works, as well as his ability to make us laugh. And Councilmember Chang has also brought his vast knowledge of people and places of Kaua'i to the fore, as well as his advocacy for the Visitor Industry, and he has demonstrated his concern for economic and environmental issues by adding moneys for the critical work of those seeking to stop and remove invasive species that could harm the environment and the economy, and he also brings great levity to our conversations. Councilmember Kuali'i has learned quickly as our newest member and I appreciate his personal attention to issues as well as to the budget provisos that guide how the Council receives information and ensures that the budget is followed. And I greatly appreciated his diligence and his participation—he just jumped right in—and his skill with spreadsheets, which I do not have. I want to thank your staff. They are largely new, eager, and dedicated, and they have just been so inspiring in how they have jumped to assist us in all our needs, and learned so quickly. I want to really acknowledge our Deputy Clerk's leadership. She did a herculean task in training our new staff and also in keeping the process moving forward. And I want to also appreciate our County Clerk, Rick, for his

oversight and support in all that we have done. And our support staff, our clerical staff that has kept our meetings going, kept us on track with our motions and our discussions. I want to give thanks to the Administration, the the Mayor's Office, to Mr. Barreira, to our Finance Director Wally Rezentes, to Managing Director Gary Heu, and all the others who have put forth the budget who are being called to exert leadership in their various departments and who have very hard jobs and who are striving to do them well. And I want to appreciate all the County workers that have been part of this budget process in letting us know what their needs are and in implementing the different jobs that are set forth in the budget. And I want to thank the public, the community because they have been an important part of letting us know what our priorities should be and what they think we should not fund, and that has all been part of the public process, and also BC and Kainoa and Jay, the Hō'ike staff for their diligence in getting meetings telecast.

I want to say a few words about...

Chair Furfaro: Your six (6) minutes are up, but you may have a few more words at my discretion.

Ms. Yukimura: If I can come back after the others have said.

Chair Furfaro: I think we can do that.

Ms. Yukimura: Thank you very much.

Chair Furfaro: Anyone else would like to speak now? Mr. Rapozo.

Mr. Rapozo: I am not so sure I am going to be making anybody laugh right now, but I actually wrote it out so I do not stray too far. But I guess for me, our budget continues to increase annually while tax revenues decrease. That, in my opinion, is a true recipe for failure. Last year I voted against the budget for similar reasons. The economy, although every so often there is a little blip of hope, continues to struggle with no true signs of an upcoming recovery, a complete recovery. We are in a financial storm right now, and I anticipate that being the case for years to come. What does that mean? Well, it means that we must be extremely cautious about how we handle our finances. Whether personal or business finances, we must all practice fiscal responsibility. More specifically, we must be careful with our money. That is in any case, in any situation, in any scenario. We must cut expenses whenever we can and we must defer expenditures that can be deferred. We do not have to spend it all in one time. We must not incur additional employee costs unless absolutely necessary. Employee costs, that is the gift that keeps on giving. When we hire an employee, we pay for that employee well after they retire in post-employment benefits. So we must be careful that when we are hiring new employees, that it is absolutely necessary in today's economy. We have an obligation as the County Council and the Administration to provide core services to the County of Kaua'i, to our constituents, to the taxpayers, to the

residents, to the visitors. That is our function, core services. And we can argue all day long whether the Marathon is a core function, whether the bike path is a core function, and every Councilmember has their own feelings on what is our core function, and I am not here to debate with anyone. But I am here to say that in a general sense, we must make sure we are providing these core functions of government. That is our function. We must ensure that when we add positions to the payroll, it is to increase our standard of service. That is what we need to be looking at.

So just some of the examples that I struggled with with this budget is the transition to a complete HR Department, although I agree with the concept. The cost that is going to be incurred by that department is going to be substantial, and we have heard the Administration say that they will probably be back to ask for more money. I will sit here today and tell you they will. We have seen it before with Parks and Auditors and the other Charter mandated Departments. But this one here, I believe, was done prematurely. I would have definitely supported funding a consultant to look at our specific County to see what kind of HR Department would best suit this County at the most efficient cost, but that was not done. That was not done. As I look at it, I see it as we are funding an experiment to see if it will work. We are taking the same people from various locations in the County, bringing them under one roof, and we are hiring three new HR managers at over \$100,000 a piece to manage that. I do not think it will work at this point. And the problems are going to exist. In my opinion, we did not really fix the problem. We are just going to try to deal with it just in a different structure with more cost.

As far as new positions, I talked about new positions and how important it is to the core functions, but if you look at the functions that were added, no significant increases in the line level personnel, in our Parks. The Administration came over with two (2) 19-hour positions: one (1) for Lydgate; one (1) for Po'ipū. That was the extent. And the comment was made, well we have the best bang for our buck because we do not have to pay them benefits. I do not think that is what this County stands for. No significant increases in line level personnel, but very significant increases in the upper level, which I believe is not the efficient thing to do right now. There is some funding in there for a MRF, and we all, I think, agree and I agree with the Mayor one hundred percent (100%) when he came up on the 15<sup>th</sup> and said he agrees that the MRF is required; however, he does not think the time is right right now. But at the end of the day, he put in some funding and although they did an internal feasibility study, we still have not done a true feasibility study to see if even in fact the MRF can sustain itself here on the island, and what it would take to run it, whether it is County owned or privately owned. We have not done that study. So that funding was in. At the same time, the drug treatment center funding was cut because no feasibility study was done. We use double standards when we do our...I also talked about deferred purchases and this year we are going to be purchasing over \$5 million of new equipment, vehicles, trucks, tractors, trailers, and yes, it will be leased over a five-year period. So, yes, we will be paying only a million or so dollars. My point is that how many of those

purchases could have been deferred to a better time? How many of those equipment purchases, the equipment that we buy, how many of them are going to be duplicates? How many of them are going to be sitting in the Shop because it is not needed. That is a huge investment and I do not disagree. I support giving our guys the tools they need, but again could some of those have been deferred?

Our Reserve Fund, this one troubles me quite a bit as well. In January this Council approved a reserve policy, just in January, that set a range of 20% - 25% of the prior year's budget to be set in a reserve for emergency use only. And this year with the May 8 submittal and what will be approved, that percentage drops to a little over twelve percent (12%). From 20% - 25% which we set in January is now down to twelve percent (12%). Now is that the right number? I am not here to debate the number. I am just saying that we set a policy in January and in May we are conceding, and we are basically dropping that down to a little over 12%. That is our emergency reserve money. We have also increased the Fund Balance for next year, which I think is a dangerous precedent to set. If we get in a bind or our budget is too big to increase the Surplus Fund, I think the bottom line is we really have to live within our means and not touch reserve funds. We just heard the \$100,000,000.00 shortfall in the State level. Let us learn from the State's actions of the past that we do not want to fall into that boat. We do not want to start raiding reserve funds and surplus funds. We do not want to do that. We have to learn to live within our means.

Chair Furfaro: Mr. Rapozo, that is six (6) minutes.

Mr. Rapozo: Oh, I am sorry.

Chair Furfaro: Go ahead.

Mr. Rapozo: I apologize.

Chair Furfaro: You can summarize.

Mr. Rapozo: I am deaf in my left ear and hard of hearing in my right.

Council Chair Furfaro: You are fine.

Mr. Rapozo: I will just wrap up, Mr. Chair.

Council Chair Furfaro: Go right ahead.

Mr. Rapozo: Thank you very much. The tax increases, there will be tax increases in the Hotel and Resort Category this year, and yes, it is revenue neutral at this point, but revenue neutral mean in totality. Some properties will be paying more. One (1) of the property managers that I spoke to, a

general manager, said his property is going to take a \$20,000.00 hit. So revenue neutral across the board, but someone will be paying more, someone will be paying less based on the assessments. What does that do? Well, if you increase the burden on the hotel and resorts, somebody else is going to pay that price, whether it is a tourist or whether it is in the cost of employees being laid off or let go. And then of course the tax increase on Single-Family Residential, on the land. This is the troubling part because many of our local families have land in residential subdivisions; just cannot afford to build on it. The tax increase is going to hit the land value, not the house value. So those people that are holding these lands because they simply cannot afford to build are going to be taxed higher, and it will impact them. Now the tax decrease that was proposed by Mr. Bynum, the Homestead Class. I think that is a good thing. At least our homeowners/homesteaders will get some tax relief, but that comes with a cost as well, it comes with a price, and someone else has to pick up that cost. And let me just close with this, Mr. Chair, tax increases should be done as a last resort. After you do all the cuts, after you cut unnecessary spending, and if you have no money, then you have no choice, but for this year, I do not believe that we have cut all that we could have. We tried in the budget process; we could not get it done. So for those reasons, I will not be supporting the budget this year. Thank you.

Chair Furfaro: Thank you, Mr. Rapozo. Who would like to speak next? Mr. Chang.

Mr. Chang: Thank you, Chairman. This particular budget, in my opinion all have been difficult, but this was the most difficult, but I do want to thank the Chairman, and our staff, and my fellow Councilmembers for guidance and to getting us through because I am hoping I am trying to make a little bit of a positive spin from the beginning to the end because I do agree that there were some contentious moments. I think we have all been able to express ourselves. But the process involved everyone, our staff, our Councilmembers, the public, and we used every single minute of the budget process to collaborate. When I say every single minute, when the camera shuts off it is not like it is a done deal. I am sure and I do not want to speak for anybody else, but I had a lot of sleepless nights, and when you wake up in the middle of the night, you are tossing and turning, and you get up the first thing in the morning, are we making the right decisions, can we make the right decisions. So there were a lot of things we were talking about out there. We had some difficult years in 2009, 2010, and 2011. I believe that Councilmembers, I believe the Administration went out into the community to see what was needed. And as many of us remember, there were furloughs; there were many, many dollar-funded positions. So the request that came in as far as funding positions, I certainly do not believe and I hope that we are not requesting those kinds of...more positions for next year because it is going to be a tough time calendar year 2014, 2015, etcetera, moving forward because there are very, very difficult times and uncertainties. But I feel positive that we have made our decisions. We have talked about our decisions. We have been able to compromise, a little bit of give, a little bit of take, and I believe that we certainly did the best job that we can when everything

was all said and done. We talk about the Chairmanship, for example, we talk about our staff, and I certainly have said this before, I want to thank my Councilmembers for guiding me through this process because it has been, for myself, very, very challenging to understand every step of the way and what does one vote mean, whether it is good or bad, how is it going to affect our County and people in general. So I am hoping that we can move along positively because I see...I could be wrong, but I do see a bright future and I am hoping that when we can all get together and get these moving parts, we will be talking thereafter about the capital improvements that I want to talk about. But for the most part, I think we are trying to do the very, very best that we can for the people. We are trying to provide services. I think people within the community had asked for services and asked for help, and we, as a Council, are trying our best to provide our people with the best possible services. So I am going to support the budget, and it was a very trying process, it was a great learning process, but I am satisfied how I voted on the issues. Maybe I can reflect down the line and figure it out. Things as such happen so quickly because we have things that are presented to us without really having much time to absorb it and we talked a little bit about transparency, and this is how the process works. When you go home you try to bring your paperwork with you and you are trying to figure out what is going on. You make your phone calls, and if you are lucky enough you may be able to see it on television. The sad process about airing things on television is because the budget process goes so fast is if you miss one department, you do not get a chance to review what that...because it...the tape changes every day and you never know when it is going to play back. So for those that do not have a computer that can either follow it live or archive it, they do not understand what went on except how it was reported by our paper, which we want to commend our paper with that. And I think it would be a great idea when Hō'iike does not have content that we can play back this whole budget process, so maybe people can understand exactly what went on, and they can understand and they can realize because a lot of people really miss the gist of what went on on a day-by-day basis unless you are here in the chambers live, it slips by. And especially when you monitor who is watching the process live, it is normally the people that, in our County, that when it is time for their budget hearing, they are the ones that are watching and logging on. I do not believe that the whole general public, so I see Jay shaking his head because hopefully he is saying yes, we can play back a lot of the budget process just so people in the community can understand. So Chairman, thank you very much. Thank you.

Mr. Kualii: Thank you, Mr. Chair. I, first and foremost, want to say thank you to the Administration and to my fellow Councilmembers for all the work that we put into the budget. To the Administration, I appreciate better and more timely information in this process compared to last year. I do not think we are fully there yet. I hope to be part of the process next year, and with the new provisos and all, I hope that we can even do better with the timely submission of information that is requested. As one example, I know we requested overtime information for the executive management positions, and I think we got that information on the last day of the budget. So I was not able to use it in any way, but I did find some

excesses there, if you will, and I know that the Chair with his amendment, we addressed overtime across the County, but specifically there in the executive management positions, I think we have more work to do with the overtime, so better information next year.

To the Councilmembers, everybody worked hard, everybody had their perspective in what they were bringing forward. I think at times, at least one or more of our Councilmembers sort of monopolized our time, and it led to the misrepresentation of some of the facts to the public with regards to our finances, especially particularly for real property taxes.

I think this whole budget started with the Administration coming forward to us, the Mayor, the Finance Director, and the Budget Manager, and there was talk about reducing the lapse by twenty-five percent (25%). The County's expenditures with regards to salaries is our biggest expenditure and our biggest responsibility, and I think when positions are fully funded and not filled, then there are moneys that are left over and I think all that money should go back into the budget and not be transferred around and expended, or it should go back to the people. So the goal of reducing the lapse by twenty-five percent (25%) was a good one because it was better than last year, but we have to do even better than that, and we started with Councilmember Bynum and I saying, why not fifty percent (50%), why not seventy-five percent (75%). So the lapse needs to be tightened even more.

As far as the budget, is this the Mayor's budget, is this the Council's budget, or is it the people's budget? I wanted to see this to be more the people's budget, and I do appreciate all those that came forward and gave testimony, especially we heard from a hotelier about this whole approach to revenue neutral and how we still have to consider that. And I did learn that revenue neutral was the category, not particular different hotels that would be impacted, but to consider the economy and to consider the fact that our people have jobs, we need to be supportive of our hotels and resorts, and not raise any taxes, especially not at this time. Also to keep in mind that they have other costs and fees that are going up and that they are struggling.

From another citizen I heard that, again, they did not want to see real property taxes be raised on anyone, not in this economy, and that we should look at our expenditures and try to collect on the expenses we are...one of the ones he brought up was that the Fire Department has a Rescue Helicopter and we go out and save the tourists as we should, but that the County is footing the bill more and more, and that we are spending more and more to do that, and it is, of course, important that we must do it, but they should share in part of the cost and not just the taxpayers. That is what one citizen came forward and said, and he was concerned about the County vehicles, the fleet growing and growing. He sees all these cars parked out in the lot, and he says that we should focus more on the basics like repairing our roads and maintaining our parks.



Another citizen said to make sure we protect and keep the exemptions based on age for homeowners and for low-income. That the economy is tight and the budget should be tight also.

The last one said that...

Council Chair Furfaro: That was five (5) minutes, keep going.

Mr. Kualii: I am going to come back later. I have a lot more.

Council Chair Furfaro: You can go a second time for three (3) minutes, but you should go to your whole six (6) minutes.

Mr. Kualii: Go now? Yes. That the cap takes homesteaders out of the market value system and that if we are looking for equity, we need to address the cap, and that the single-family residential increases, the 22% - 23% increase, even if it is land only, and that it will force some people out, and that we need real property tax reform that is complete and comprehensive.

I would just say that despite projections for continued positive economic growth, I believe our approach should have been one of more constraint and caution due to the tenuous nature of this slow drawn out recovery. We should be looking at our debt, which is \$195,000,000.00 and working to bring that down. We should be respectful of our reserve policy, and I think our reserve policy needs more work to be committed to a Rainy Day Fund that is truly set aside and kept for only severe instances. I think we need to eliminate more waste and fraud. I think we came pretty close with the position of the Civil Defense two managers doing the same job, that duplication. There was a 3-3 vote. Four (4) votes would have eliminated one (1) of those positions. I think we need to look at the executive management positions and all those high level positions that Councilmember Rapozo was talking about and some of my constituents have come forward to me and said that that is political patronage and it needs to be addressed. The Human Resources Department, Councilmember Rapozo brought some of the numbers forward. We went from a 9-person department to a 17-person department. We went from \$500,000.00 in basic salaries to \$1,000,000. We have three division managers making \$100,000.00 with each one (1) only overseeing two (2), three (3), and two (2) employees. Our County is one (1) of only a thousand employees and you could compare us to many other organizations where it is done a lot more efficiently with a lot less money, especially like in the hotels. The other thing is yes, for the tax reform, we need to do comprehensive tax reform, and there are many items already in place with regards to the low-income exemption, increasing from \$55,000.00 to \$80,000.00; the redefinition of gross income versus adjusted gross income; the removal of the apartment tax class; the creation of single-value for assessments. These are already in place, and we need to know what impact that will have and now we are also adding these other increases and decreases, and I think that we are

probably one year too soon with that, that we should have looked at the whole picture, and then do comprehensive reform as far as that goes.

The last thing I would say, I am very happy with all my Councilmembers' support for all the different proviso amendments that I put forward, and I think the most important thing that the Administration can do for us so we can do the best job that we can for the people is give us all the information that we need. And I think the improvements through those provisos will mean that we will get even better information than we did this year next year. Again, I hope to be a part of that process. Thank you, Mr. Chair.

Chair Furfaro: Thank you. Councilmember Nakamura, you have the floor.

Ms. Nakamura: Good morning, thank you. I wanted to first thank Budget Chair and our Chair Furfaro for organizing and directing this budget process. I was in Honolulu last week to learn about their budget process and learned that their first draft had six hundred (600) amendments and second draft four hundred (400) amendments from Councilmembers, and so I really appreciate that we have a much more rational process. I am also pleased with the level of dialogue between each department and the Council regarding future strategic initiatives, and I would like to thank the Chair and the Administration for making this higher level dialogue possible because I learned that it does not happen throughout the other counties. I think, like Councilmember Kualii said, there is room for improvement, but there is...I think we had a good dialogue in this process. I am also pleased that we made a strong commitment to work toward diversifying Kaua'i's economy but funding business plans for a multi-species processing facility, business incubation services, and a digital media facility. We are also taking the next steps by encouraging dialogue around a multi-use center for culture and the arts, an action plan for the Keiki-to-Career Project, and economic feasibility study for recycled materials on the island, and finally a business plan for Wailua Golf Course. These studies will ensure that future Council funding decisions will be based on solid data, feedback from key stakeholders in our community, and realistic revenue and expense estimates. So I thank my Council colleagues for supporting these initiatives. I am also very happy about the funding this Council has approved for afterschool and preschool programs. I thank Councilmember Yukimura, I thank you for putting forth this bold proposal. This funding represents a paradigm shift, in my opinion, that I believe will strengthen this community. We spend \$25,000,000.00 a year on the Police Department, another \$3,000,000.00 on the Prosecutor's Office. By spending a very small fraction of this amount on youth development, we will ensure that our youth have confidence, mentorship, and courage to be responsible citizens in this community.

I have some suggestions on how this budget process could be improved, as usual, and one (1) suggestion is to ask all Councilmembers to submit proposed budget changes by a certain date in writing as is done in Honolulu. I think this

gives the public, it gives Councilmembers a heads-up as to what Councilmembers are thinking and proposing, and I think it helps staff in the process of compiling this information. I also wanted to ask that we hold briefings by the larger departments first to allow them time to respond in a timely manner, especially those with multiple divisions where we have numerous questions that we ask. In my opinion receiving department responses to our questions after budget deliberations are over is not a productive use of our time. I have compiled a list of common concerns raised by the various departments during budget presentations and I hope to be able to sit down with the Chair at some point in time to go over some of these common themes and concerns, and hopefully we can have that discussion in a future Council agenda. And finally, I would have preferred to balance the budget differently without raising tax rates, but I am supporting this budget in the spirit of compromise to accomplish the many positive changes that this budget provides for, including areas in health and safety, improving the quality of life for our residents, economic diversification, and I think one area that really matters a lot to me is improving government efficiencies. So I want to thank our tireless staff for all the work during this process and the support that you have given all of us, especially on the weekends and late hours of the week between budget hearings, your assistance is very much appreciated. Thank you.

Chair Furfaro:

Thank you. Mr. Bynum, you have the floor.

Mr. Bynum:

Thank you. I want to start by thanking our staff. Everybody that watches Council meetings hear us praise the staff, and it is not just because those are people that we work with. It is because they really are exceptional. This year we had new hires. I served on this Council for five (5) years when there were unfilled positions that went on for two (2) or three (3) years. This Chair filled those positions, and particularly our new staff have really stepped up, pretty amazing the work that they put out in the short period of time. I want to thank the Mayor for overall managing the economic downturn, I think, quite well over the last several years. I have had disagreements with him on property taxes that are kind of famous, but overall I want to remind people that when he became Mayor, we were in an economic downturn. He did present reduced budgets, he withheld hiring, he cut travel budgets, deferred procurement of equipment and expenses, and our revenues indeed have come down over the last few years, but in the first two years of the downturn our revenues far exceeded our expenditures, and we were actually growing surplus in an economic downturn. We are kind of at the stage right now where our revenues and expenditures are meeting. They are not too high and they are not too low, and so we have to manage our revenue and expenditures going forward. If you watched the budget hearings and I am so glad that they are available online and available because...and I want to thank those people out there that watch these meetings. They give me tons of feedback all of the time in the community, and it is very helpful. But if you watched the budget hearings overall, I hope you are proud of the government workers here on Kaua'i. We have a bunch of outstanding people who work every day diligently to serve the community, and if you watch this, transparency shows that you are going to

(inaudible) well, this department needs more help than this department, these guys have to step it up, these guys are setting the standard, and that is the way it should be that we learn from each other. But overall we have a great group of employees serving the public, and I agreed with the Mayor's overall proposal this year to say it is time to get back and start hiring some of those positions, not all of them, that provide needed services and to be really thoughtful about what those are. If you watched these four days of decision making, you saw a lot of give and take. Every Councilmember at this table voted to add positions to the budget. Every Councilmember at this table voted to cut certain expenditures. The tallies were different for each proposal, but they were all thoughtful, and we all participated in the give and take. For those reasons, based on those compromises we made, I believe we should all support this budget, and I certainly will be voting for it.

Real property taxes, this is my first budget that we gave serious discussion and time to managing our revenues. The previous budgets I have sat on, virtually all the discussion was about expenditures, but in my business experiences and in my experience, budgets are made up of revenues and expenditures. So cannot just look at expenditures. It is public record that we did not change any tax rates for eight years in the County of Kaua'i. During the upturn that meant lots of businesses paid big increases in taxes. The one tax category we did make changes in was the Homestead tax, and initially those changes were very beneficial for resident homeowners, but in the downturn, those changes ensured, without changing rates, that business and out-of-state investors that have property here had significant tax reductions over the last four years while resident homeowners, as a class, had significant tax increases along with fees. That needed to be addressed and finally in this budget we did with a combination of the Council's initiative and the Mayor's. You have heard people here talk about increased taxes. Let us put that in perspective. The Hotel/Resort Class has been mentioned here several times. The fact is that they had reductions for three years in a row, significant reductions. This year the Mayor did what I think is appropriate and adjusted the rates up slightly not to give an increase to that tax class, but to not allow a fourth year of decrease while residents paid increases. The Single-Family Residential, and Mr. Chang discussed this during his comments, is a very important tax category. It is residential homes, but primarily those are made up of people who have those properties as investments. They are vacation rentals or they are rentals that produce income. We have done significant changes in the tax system to incentivize landlords who do long-term rentals, but those property owners who are doing vacation rentals or wealthy people who have second homes here should not have big reductions while residents pay increases. So Single-Family Residence, we did increase the land rate, but those people in that category will still be paying less taxes than they did just two years ago as a class. Those were needed things that were happening.

I know I am going to run out of time, but I really want to recognize the initiatives that Councilmember Nakamura has done since before she was on the Council and on the Council to diversify our economy with support from the rest of

the Council, but she has provided the leadership. Because for years we all said, hey, we cannot be a one trick pony, we cannot just have the visitor industry, and I totally support that industry and I supported increases to the Kaua'i Visitors Bureau this year to make sure that we keep that a viable and strong industry. But diversifying the economy in other areas is something that previously we have given lip service to, and this Council and Administration working collaboratively have really put some real serious specific initiatives behind that goal.

Chair Furfaro:

Mr. Bynum, I am going to give you your other three minutes right now.

Mr. Bynum: Okay, in terms of the HR Department, the HR Department is something that we as Councilmembers asked for because we, and I will own it, I have been in sessions about settlements in the multi-millions of dollars because we have not been managing our employee structure well under the current Personnel Department. Wrongful termination, sexual harassment, workforce and workers' comp claims have been huge, and that largely is because of not having an HR resource. The HR Department was created, and I supported that, not one new position was created; it was a restructuring of the department, and I applaud the Mayor for taking initiative. We will see how it goes and playing it out, and I know we are all going to watch it really closely.

The reserve has been discussed, and I have discussed it here forever, but what we did in essence last year was create two pots of money, one that we called the Reserve, and then the other pot of money that for years we have called the Unappropriated Surplus. Those two (2) figures combined are forty percent (40%), not twenty percent (20%) or twenty-five percent (25%), not fifteen percent (15%) or twelve percent (12%), and our true reserve is both of those. I think it was a mistake to divide them and I am going to look in the future in the legislation I am going to introduce to have one (1) reserve that is clearly defined by our audit. And so we are in a strong conservative financial position. We have weathered the storm pretty well, and the Mayor is saying, hey, it is time to start to get back to normal. We still have dollar-funded positions. We still have positions that we thought were important in the past that we are holding back on funding as we watch this fragile kind of recovery progress. So overall, this was the best budget I have participated in. It was messy. It was cumbersome and frustrating, and that is what democracy is, and it is really important that we do it. Both the Administration and the Chair took significant steps to change our budget processing, and we need to make further changes because it gets all too smashed together at the end. But overall, we all participated in give and take, we all added things to the budget, we all took things away, and we should, in my view, all support this budget in the spirit of compromise. Thank you.

Council Chair Furfaro: I would like to go back to you before I speak because everybody else has used their allocated time. Mr. Bynum got ten (10) minutes. Mr. Kualii got ten (10) minutes. So you have three minutes.

Ms. Yukimura: All right, thank you. I just want to say that I agree that we must not waste or spend indiscriminately, and I think we all tried to do that in the individual votes that we took on various parts of the budget. I also think that getting better information and having a better process will help us do better at that. It is not only, though, not spending. It is how we spend and whether we can get the best return on investment of our expenditures. Whether it is in terms of services or it is in terms of lowering the cost of living for our members, that is where the budget has to be done well, and I think one of the ways we could improve our budget process is by developing a strategic plan jointly with the Administration, such as OHA has done. I have seen recently their strategic plan and if we could do that together and then gear our expenditures to that, I think we will come out with a better result. I also hope the people will vote for the Charter change that does not allow a second budget to come to us from the Administration because I think that will give us more time and more stability in how we develop our budget.

I want to say that the Materials Recovery Facility is urgent. We have or are going to spend \$40,000,000.00 to retrofit the existing landfill because we did not put in place a diversion infrastructure of which the MRF or the Materials Recovery Facility is the core piece, and also because we did not open a new landfill in a timely way. This is a huge waste of money and it has resulted from lack of planning and lack of good action.

In terms of the Marathon, we really need to ask ourselves, how do we measure the success of the Marathon. Is it just that it pays for itself? If we measure the Kaua'i Bus that way, it would not succeed. It is what is the potential of a signature event. It has been shown to fill hotel rooms, which translates to full work weeks for workers, and it has shown that connection far more specifically than other promotional events that we fund. It also is key in marketing our island and having people make a connection to this island. I do believe, contrary to Mr. Rosa, that we have one of the highest return rates of visitors, and they are not looking for nightlife. They are looking for nature, they are looking for community, they are looking for culture, and we have a lot of that, and we need to develop...they are looking for sporting events as well, and we need to nurture that.

The Adolescent Drug Treatment Center is important and needed, but we must know how...whether and how we can sustain it, and until we do, we are wasting money to move ahead. But once we know it is feasible and how we will do it, we can all get behind the project.

And so in conclusion, I want to say that I felt this process has been good because it has given us better information, it has really allowed a lot of dialogue. And if we keep moving in that direction, we will be able to serve our public better as we do new budgets in the future. Thank you.

Chair Furfaro: Thank you. Is there anyone that would like to say anything else before I speak? Go right ahead, KipuKai.

Mr. Kualii'i: I was just going to ask, Mr. Chair, for ten (10) seconds because I forgot to say the most important thing that I wanted to say.

Council Chair Furfaro: You have twenty (20) seconds.

Mr. Kualii'i: There is no way I could have done the job that I have done without the support of staff, and I did not have enough time, I did not have enough energy to do all the things that I wanted to do with this budget, and so many of our staff, all of them, have helped me immensely and I just cannot say thank you enough. Thank you so much.

Chair Furfaro: Thank you, Mr. Kualii'i. Before I call for the vote, I am going to use my time now and I want to follow up on what Councilmember Kualii'i said. Our staff really worked closely with the Administration and Mr. Barreira. Mr. Barreira, thank you very much, your work and contribution was much appreciated. Our staff really put, I guess I want to say they struck the iron when it was hot. They got things back to us on a timely basis wherever possible, and they really facilitated good results in the process. Thank you so much.

To my colleagues at the table, you are a group that I appreciate every day, the openness at the table, the discussions, and even though Mr. Bynum touched on it this year, we even videoed the Decision Making process, so that was an additional piece. But everybody here pitched in. Although we may not have agreed on things, at the end there was no task that we could not come to a good discussion on and tackle. In this budget we are addressing things: economic diversity – looking to diversify our economy as much as we can; the Material Recovery Facility start is in this process; we still have a number of State legislative issues that we have to know are on the horizon, I do not think those difficulties are over yet; whether we touched on small businesses and sustainable communities, with walkable communities, with affordable housing, with updates on the Comprehensive Zoning Ordinance that we plan to move; self-sufficiency and having an Energy Renewable Committee that is really almost fulltime in many respects; the growth in public transportation, the Bus; and of course the Human Resource Department. A message, if I can, for the Administration is we have supported that effort, we know there is a need to be focused on it because we are looking to reduce risk, as Mr. Bynum said, at the same time as Mr. Rapozo said, have an outcome of some cost benefits, a department that can help us recruit and fill those vacancies in the Police Department in a more timely basis. Having a training business plan that allows us to have a very efficient well-trained staff is all part of those items that this Council supported. I do also want to say that thanks to Councilmember Kualii'i introduced several provisos. Those provisos are being evaluated by the County Attorney's Office. I am sure we will hear if there are legal concerns at the right time from them, but it was an

initiative that is much appreciated by the body. Deferred expenditures have been talked about a lot of times, but folks, we have deferred expenditures for a very, very long time. The fact that we need to move with the equipment needs of almost \$5,000,000.00 is very revealing. You can only defer paying the piper for so long. It is time that we look at that. At the same time, remember it was this Council that encouraged the Mayor to end furloughs, and we did. But at the same time many of our bargaining units are going four (4) years now without having an increase. The units that do work for us have also sacrificed. The tax initiatives that we have passed this year, we do not know the net outcome until 2014. We are going to see some of those particular pieces that further enhance where we are going. But I want to say I think we were very, very much united in getting to this point. It would be very nice to have a unanimous approval on the budget, but people have voiced their opinions. This is the selection of people being able to express their opinions as a body here. This body ultimately has to deal with the stewardship of our island home on Kaua'i and Niihau, and I am very, very proud to be part of everything that has transpired in this budget process with all of my colleagues.

To Ricky and the staff, again, I just want to close on a very high note that your work is much appreciated. Jade, ladies, gentlemen, we were very united in the urgency to get this done, and Mel is going to go out and be the Sergeant-at-Arms for us for a moment, but we were all very, very focused and hopefully we have come with the best results that we can. So on that note, I would like to say thank you. Thank you to everyone that came to testify and a big mahalo to the staff. I am going to take a short recess to see what is going on down in the lobby:

There being no objections, the meeting was recessed at 10:34 a.m.

The meeting was called back to order at 10:45 a.m., and proceeded as follows:

Chair Furfaro: We are back in session, and we have a motion and a second to vote on the proposed Operating Budget. I want to say that Vice Chair Yukimura is exchanging her three minutes dedicated to CIP to make a few more comments on the Operating, and so on that note as the Chair, I will allow that to happen, but you will have no time for CIP. You may have the floor.

Ms. Yukimura: Thank you, Chair. I just wanted to appreciate your mention of housing because we have some moneys in there for an update of our affordable housing ordinance, and I think there are ways to make it fairer and easier for developers and a win-win for the County because we will have more control and permanent affordability. So I look forward to working on that. And then I look forward also to working with the Housing Agency on a strategic plan that will help us use our limited resources wisely to get the most housing possible with given money in places that will dovetail with our other goals of lessening oil usage, places that are easy to walk or bike to work or other needed services, quality of life, and great neighborhoods. And it is really important for us to act while the market is down, and it is cheaper to build affordable housing and we will have it



when the market goes up. I also want to say that the Mayor, I think, has a really critical role in helping us improve our budgetary process, and I see it as his role is to fill the positions that we provide by hiring with merit, especially high level management. It is so important that the Administration find the people who are best able to do the job for the people of Kaua'i that will make our budget implementation so much easier and more effective.

And lastly, I just want to acknowledge some of the departments that provided incredible reports on their performance, the Purchasing Office comes to mind. They moved, over this last year, toward going paperless, saving immeasurable costs and time, and are a wonderful example of County performance, and the Elderly Office was so good that they were not even subject to the across-the-board cuts because they have budgeted so well over the past years, and I feel they need some real acknowledgement, and I was also impressed with Public Works and Planning's efforts to incorporate Complete Streets in their planning, and also the Kaua'i Bus in its efforts to expand services for the people of Kaua'i. And I actually have an idea that perhaps next year we might give some Council awards for Best Presentation and Best Accomplishments. And that is it, Chair. Thank you very much.

Chair Furfaro: I have some thoughts about that. We will start with the Sumotori ranking. The Best Presentation gets to be ozeki, right on down the line. Sounds like a plan.

Ms. Yukimura: That sounds like a plan.

Chair Furfaro: Thank you very much. Members, we have a motion and a second. We are voting on the Operating Budget. Yes, sir.

Mr. Kualii'i: I wanted to request the same, if I could...

Chair Furfaro: You can use your three (3) minutes now rather than in the CIP.

Mr. Kualii'i: It will be less than three (3) minutes, but there are a couple other things I...

Chair Furfaro: Go right ahead, you have the floor.

Mr. Kualii'i: I just wanted to read a couple of sentences out of the introduction of our budget message because I thought it was important. One (1) is the last piece that says, "The Council recognized that they need to prioritize assistance to nonprofit organizations that are essential to the well-being of the people of Kaua'i." Also that "the Council intends to continue discussions on the County's real property tax structure in the fiscal year 2012-2013 to determine a fair and equitable tax structure for all tax classes." So that is my concern of moving forward with comprehensive real property tax reform, looking at what is in place

and improving upon that. And then also that "the Council recognizes that the County's fiscal condition is not as strong as years past, and a conservative fiscal approach is still warranted."

The other thing I wanted to say is that I think as families do in their homes with their household budget, I learned this as a kid quite naturally, you have to distinguish between "want" versus "need." And I think in looking at this budget, I took it one step further as "want" versus "need" versus "critical need." And in considering some of the positions, the ones that I did approve were the positions that I understood to be a critical need, not just a need. An example of that was I voted to support the Records Management position for our Elections Division and Council Services, but I did not vote for the Legislative Assistant position. I think Councils in the past did with less because there were vacancies, and I think we are fully staffed now and it is working pretty good. And then the park caretakers positions, that halftime for Lydgate and Po'ipū, which we are saying we are committed to world-class parks, and to make a half-time position is not the commitment that we are looking for. So I supported those as well, critical needs.

The last thing is that in general we talked about how some of the budget was being sustained by special funds and that is not sustainable going forward. The conservative approach ultimately will mean, and hopefully we will get there next year, we have to actually come up with real cuts and not let the budget grow and grow year after year. That is why I am having to vote against the budget at this time. Thank you, Mr. Chair.

Chair Furfaro: Thank you for those comments. We understand your comments. As we go forward, we will constantly make improvements. So I would like now with a motion and a second to have a roll call vote by the Clerk. Mr. Clerk, I want to confirm my comments, if we pass this budget today it goes over to the Mayor. He has ten (10) working days to make his decisions.

Mr. Watanabe: Correct.

Chair Furfaro: Thank you. Let us do the roll call vote, please.

The motion for adoption of Bill No. 2431, Draft 1, on second and final reading, was then put, and carried by the following vote:

FOR ADOPTION: Bynum, Chang, Nakamura, Yukimura, Furfaro	TOTAL – 5,
AGAINST ADOPTION: Kualī'i, Rapozo	TOTAL – 2,
EXCUSED & NOT VOTING: None	TOTAL – 0.

Council Chair Furfaro: Five (5) to two (2), thank you very much, we will transmit the Budget over to the Mayor's Office. Next item I would like to go to is the CIP Budget.

Bill No. 2432, Draft 1 - A BILL FOR AN ORDINANCE RELATING TO CAPITAL IMPROVEMENTS AND FINANCING THEREOF FOR THE FISCAL YEAR JULY 1, 2012 TO JUNE 30, 2013: Mr. Bynum moved to approve Bill No. 2432, Draft 1, on second and final reading, and that it be transmitted to the Mayor for his approval, seconded by Mr. Chang.

Chair Furfaro: Thank you. We have a motion and a second, we have exhausted times for both Councilmember Yukimura and Mr. Kualii, but you will have three (3) minutes to make any comments. Does anybody wants to go first? No comments from Councilmember Nakamura. Mr. Rapozo.

Mr. Rapozo: I just wanted to for the same reason stated in the Operating budget obviously I will not be supporting this budget as well. I did want to take the opportunity to thank the staff because I used up all my time, that time goes quick when you are passionate about something and I did not want to take extra time so I figured I would use the time here to just thank the staff. I think as many have said already that our staff is just a very hard working staff and they have to deal with seven (7) bosses, in fact more than that because they still have to deal with the Clerk and the Deputy, so they have a lot of people they have to report to. This Council as you can tell is a very independent Council and very aggressive Council so they have a tough, tough job and I just wanted to take the time to thank them all personally and in public, as well as the Administration. You heard some of the concerns that when we get responses after the Budget it does not do us much good. But they do get bombarded with requests from us but we have to figure out a way to get that responses to us ahead of time. And then of course to the Chair who made some changes this year with the process, gave us a lot more opportunities to question and basically assess or analyze the individual divisions and departments. We had a lot more time this year than we have ever had so I appreciate that; thank you very much for that and the decision making time. We were never, in this year, we were never required to cut our questions short or send it over in writing. Everything we ever needed we could have the opportunity to do it here on the table so that people could see, so I think it made for a much better process, thank you very much. And of course to my colleagues, of course we do not always agree, I disagree that we should have a 7-0 budget vote, that is the independence of this body. If it is 5-2, or 6-1, or 4-3, it is what it is. I think it is because of philosophical difference that Councilmembers have and I would like to see every vote go 7-0, but that is not going to happen. I speak for the constituents that complain to me – Mel, what is going on, how come you guys are spending so much money? Why are we raising taxes? Those are constituents that I got to answer to, their voices deserve to be heard here as well, and I speak for them. The democratic process, I always say the best decision is always made at this table. It is the best because it is the majority and I stand by that today. My philosophy on this budget is not what the majority of the Councilmembers feel, it does not make it wrong or right, it just makes it a position and a philosophy that needs to be spoken on this table and I appreciate the opportunity to do that. The budget will go down 5-2, and the budget will pass, and we will continue to operate, the rubbish will be picked up, all of that

will not change, but I think as we move forward we need to take some lessons from the State, and as we move forward, be extremely cautious on how we proceed. Thank you Mr. Chair.

Chair Furfaro:

You are welcome. Anyone else on CIP? Mr. Chang.

Mr. Chang: Thank you, Chairman. I just wanted to comment on the CIP projects. I believe if I am not mistaken, last year's budget was over \$80 million, this year it is about \$64 million or so. We came to the agreement that if it is not going to be shovel ready-ready, set, go-within a year or eighteen (18) months that gets pulled out. We had a presentation by Mr. Lenny Rapozo of Parks & Recreation with the different projects that has been ongoing and very pleasant to report that these five (5), six (6), seven (7) projects actually saved over 300,000 plus dollars because there are people that are, they are hungry out there. There is local people out there, local contractors and subcontractors that need work, so it is nice to see that everything is going under budget, everything is getting done so much more expediently and quicker, because you do not have all these jobs that are spread out all over. There is projects as we speak one (1) of the projects actually came in thirteen percent (13%) under budget, there is other movement that is happening. I think the key here is that the local people and the local community are realizing how is it how important it is to hire local. Anytime you to talk to economists, the economists will say that the tourist industry is just booming, as is Kaua'i, as is evidenced by a report on the local tv news that the occupancy for the month of May, which will seem soft, was already fourteen percent (14%) higher, that was just ten (10) days ago; we did not even finish the Memorial Day weekend. So everyone says that in order to get this economy going it is not just tourism, it is construction, it is CIP projects, and I am hoping obviously that now we are getting, we are ready set go, the bids are out, the contracts are out, we are going to start paving roads, we are going to be doing a lot of CIP projects here on this island of Kaua'i. The most important thing is we have had commitments that the workers will be Kaua'i workers. They are going to be Kaua'i workers and they are on a timeline and if they do need to bring in extra workforce from Honolulu to get the timeline down, I look at it as a positive step that these workers will be on Kaua'i for five (5), six (6) days, what have you. They are going to be renting places, spending money in the local hardware stores, the restaurants you know scattered throughout the island of Kaua'i. Some of them might stay over the weekend or bring their family, so I believe it is very, very positive that I had someone come over that was visiting from Honolulu that was giving me a hard time, look at all the traffic, or we got a little delays here and there, and I am saying hallelujah we got guys on the side of the road that are all local people that are working. As far as our Capital Improvement Projects I am confident that they are going to ready set go. Shovel ready means shovel ready, everybody is ready to implement. It is like as soon as they get the word everybody like busy bees will start to deploy and get the job done. I am happy, I am excited because we are going to see work and we are going to see money moving around in the economy and we will put money in the local people's pockets, and that is where it belongs. Thank you very much.

Chair Furfaro:

Thank you. Councilmembers, Mr. Bynum.

Mr. Bynum: So CIP is Capital Improvement Projects, I am pretty passionate about that and I have been especially since the economic downturn because before the economic downturn we would put out a bid and we did not have enough money it would come in too high. Now we put out a bid and we are actually saving money and in the trades in particular there is still guys sitting on the bench, there is still high unemployment on Kaua'i and the County is historically had a difficult time getting their CIP projects out the door. As we went through CIP this year we saw things that were funded in 2005 that have yet to begin. I supported a position to try to address that in last year's Budget. This year we saw the leadership from Larry Dill and Lyle Tabata to really start moving forward and getting us more efficient. Another example of our conservative approach over many years is that our CIP is about half cash-funded, means we actually have the dollars in the bank and that is very unusual. Most municipalities do all of their CIP with bond financing and it is another measure of our conservative approach, but it is important that we get those jobs out, get them on the street and get people to work. I think we are all committed to doing a better job of managing that CIP in the future. So overall it is very important that the County follow-up on the lengthy discussions we had this year about maximizing the efficiency once we approve funds to get them through the process and actually putting people to work on the street. I have a lot more optimism again because again of the leadership from Larry Dill and Lyle Tabata on this issue, and commitments from the Administration to look at the personnel involved in that and make sure that we have the right people doing the right jobs. So I am going to support the CIP Budget, we have taken a fairly conservative approach but when we do projects...so CIP generally is projects that have a beginning and end and do not significantly add to the operating budget, although we have to assess each of those for ongoing operational expenses. If we put in another mile of bike path which is under construction on Papaloa Road right now, I was out there yesterday watching fifteen (15) to twenty (20) guys who some of which were not working a few weeks ago that are now working, that is a good thing. That will have some ongoing expenses for the County once that facility is in place. If we had a restroom then we got to clean it, but we are better servicing the people of Kaua'i in our wonderful public places. What makes Kaua'i so special is the people here and the place and when the County provides a good place for people to be that is what improves our quality of life. Thank you very much.

Chair Furfaro: Thank you. Is there anybody else? I want to say that there is some connections operationally here. I do clearly want to support the CIP Budget because it will act as a stimuli but here is a couple of pieces that, Ernie, I want to make sure we know they are on the radar screen, this is from the Chair to the Administration.

We have \$5.8 million in the bank on roads because we have not done roads for three (3) years. I have great faith in the Engineering Department that is now led

by Mr. Dill, but I was told we were going to start in May, and I hope we find ourselves not banking the money but putting pavement down on the priority list of roads. I also want to say that I am very pleased with my Council team that we approved taking the CAC money to \$1.80 per ton for Kekaha, but we will be working on a bill to make sure we can reconcile the exact amount of tonnage that goes into the landfill as we try to deplete other waste streams going forward. Then of course I want to also thank my colleagues for Salt Pond and supporting my \$90,000.00 to actually do a geological survey so we understand what this cultural asset is, how it works, and we can convey some good information to the State so that we do not jeopardize this natural asset that we have for the salt makers. The *pa'akai* is very important for this community, this island, and I want to thank everyone for that but it is going to be directed again by Economic Development to solicit and the roads money that we cannot be delinquent on the progress but I have great faith in the Engineering Department, but we will be watching. On that note I am going to call for the vote, we have a motion and a second.

The motion to approve Bill No. 2432, Draft 1, on second and final reading, was then put and carried by the following vote:

FOR ADOPTION: Bynum, Chang, Nakamura, Yukimura, Furfaro	TOTAL – 5,
AGAINST ADOPTION: Kualii, Rapozo	TOTAL – 2,
EXCUSED & NOT VOTING: None	TOTAL – 0.

Chair Furfaro: So we will be sending the CIP Budget over with a 5-2 vote. I believe we have concluded our budget items and we recently had a break so we are going to go right into our next agenda item. Ernie, thank you very much, you and your staff for all the great coordination and work, thank you very much.

C 2012-172 Communication (05/09/2012) from Councilmember Nakamura, requesting the presence of Chuck Wolfe, Principal, Claggett Wolfe Associates, to provide an update on the feasibility study for a Certified Commercial Kitchen Business Incubator serving Kaua'i County.

County Clerk: Mr. Chair, on this item we have a motion and second to receive already.

Chair Furfaro: Before I recognize our guest, this is a Council meeting but I am going to turn this coordination over to Councilmember Nakamura, and Councilmember Nakamura, you have the floor and you will be running this meeting.

Ms. Nakamura: Thank you very much, Chair. Councilmembers and members of the public, last year in our Budget one (1) of the items that we approved was a feasibility study for a commercial kitchen on Kaua'i, an incubation facility. The funding went through Kaua'i Economic Development Board who did a search and retained the consultant Chuck Wolfe who is here today. We are hoping that this

information will come prior to this year's Budget but the timing of it was that his presentation is kind of his final report to KEDB is winding up and he is now ready to make this presentation to us to tell us the results of his study into this project. So I want to welcome you, Chuck, and we will just turn it over to you to make your presentation.

There being no objections, the rules were suspended.

**CHUCK WOLFE, PRINCIPAL, CLAGGET WOLFE ASSOCIATES:**

Councilwoman Nakamura, I thank you very much, and members of the Council, I appreciate the opportunity to be here. I understand this is a very important project and I appreciate the opportunity to have worked on it. It is a wonderful place to come and work, I could tell you I do work all over the world and when I explain to them I have to travel one (1) more time, they usually ask me, are you going back to the Middle East, and I say no I am going to Kaua'i. Then everybody sort of looks at me and says we feel very, very sorry for you, so thank you very much.

What I want to do is go through...My name is Chuck Wolfe, I am the President of Clagget Wolfe Associates, and we are based in Auburn, California. Thank you.

What I want to do today is to go through what the project objectives were as it was originally laid out and then as we saw it as we moved into the project. The approach we used, how we looked at the market itself, and then what we found within that market, and then challenges within the market, and then finally that we were going to get into the financial analysis. We did a fairly preliminary financial analysis to see whether or not there is opportunity or impacts that we need to understand before making a decision of whether or not to proceed, and finally a summation and recommendations.

When we first were engaged with the project we were asked to look at the feasibility of a commercial kitchen business incubator on the island of Kaua'i. As based on our experience and having done various projects in different rural settings both in the United States and around the world, we saw a unique opportunity to move this beyond just the commercial kitchen focus and to expand it into the small grower, and the specialty agriculture, sustainable agriculture, and the ag-tourism sectors. So we incorporated that in our analysis because there is a lot of consistency between those three (3) sectors within that arrangement, so we incorporated that into our study.

While we also looked at objectives that came through was the idea that was brought up is to promote sustainability both from a sustainability for the population but also sustainability from the island and preserving agricultural lands and the heritage that is the long standing heritage on the island, and then also maintaining Kaua'i's cultural heritage and community identity because there is a very unique identity. As I have heard this morning through the presentations that was a critical

part that these types of projects fit within the environment that they are going to operate.

Our approach, we did secondary research looking at published reports, papers, online data bases, we also did primary research and we interviewed over sixty-five (65) individuals both here on the island as well as on O'ahu, and those included both people in the educational sector, the public sector, the academic sector, and the government sectors, and a very large cross-section of small business owners and farm producers. We also then tied that in with our professional experience to say how does this look and does it make sense from a market perspective and is there a feasibility opportunity for this type of project; feasibility is based on the opportunity for each environment and that is the customization that we go through and why we incorporate the primary research as a major component of our study.

What we did find and this is probably not a surprise to anybody here but there are three (3) distinct market areas on the island. Even though the island itself is not large there are distinct centers of activity, there are distinct perceptions of market with influence by travel distances and people's willingness to travel, people's identity with their local community, as well as factors such as transportation and moving around the island during certain times of the day. So what we would normally look at in this particular type of setting as a single market. We really identified three (3) distinct markets with some overlap between the eastern shore and south shore, and western shore and the south shore because people would go say from the Po'ipū area in either direction because of the travel habits they currently have. What we found, I can very definitively say we did find that there is a market for a program to support food and ag business sectors. When I say program, a lot of times people look at incubators and they tie that to a facility, and I know a number of members of the Council did visit the Pacific Gateway Center on O'ahu. I made it a point during the second visit to actually add an extra trip and to visit that center to make sure I saw what you saw and then I could talk to it directly. Incubation is not the building and I teach best practices around the world, one (1) of the things I emphasize is buildings do not build companies, it is the programs and support services that build companies. That is really when we say the market exists for a program, there is truly an opportunity and a need to build businesses.

What we see is and the statistics show the business activity is solid and growing in the three (3) sectors, both the food production, ag-tourism, and the small farm production; so that is growing on the island and mostly consistent with what is also going on nationally, except in terms of the food production side which is actually diminishing on a national basis; so you are going counter to that market. Also the market opportunity aligns with both the local, State, and Federal focus on sustainability, food safety, ag land preservation and entrepreneurial development. Lately there are not too many weeks that go by that you are not hearing something



about entrepreneurial development-job growth through building companies and helping them to grow.

What we see from that is projected to mean for about thirteen (13) to eighteen (18) clients served at any one (1) time with an average participation of about three (3) to five (5) years. The thing to understand with this and it is important is that this includes both start-ups and existing businesses because there are a lot of existing businesses that need assistance in actually improving their business practices or entering a new market, improving operations, improving their profitability. That is a fairly significant part of these types of programs and taking a business that has two (2) to three (3) people up to five (5) to six (6) people is actually incubation, you are growing the business and really is what incubation focuses on is growing businesses.

What we also do see is a strong need for more industry focused coaching services, education, and funding; funding being funding for the businesses themselves. An industry focus in the food production, the ag-tourism, and the growers side so that...right now as we found you have general business services available through the Small Business Development Center, that the feedback we received on that was these were good services, people felt they were adequate, but there was lacking in the area for the specialties needed for the specific segments. What you will find is there is a nuance especially in the food manufacturing, and ag production and ag-tourism that those specialties, those networks, those resources that people need are not common; they are not ones that people normally have in their rolodex. Even talking with the ag-business incubator at the University of Hawai'i at Mānoa, they are working to expand their expertise in the food manufacturing sector because they see that as an area that even with their time in this area that they need to improve that network themselves. So that was one (1) of the needs and that is what the market showed us.

What we also saw is that we talked about that the current services are adequate but one (1) of the things that is missing is that there is a lack of proactive coordinated delivery of services. Incubation is not a passive process, it is an active process, so most small business people, myself I have had five (5) businesses, they do not typically come to you with foresight and decision making, they come to you usually when they are in trouble. Where incubation actually adds value and increases the chances of success is it proactively engages and coaches people through each stage of their business development process, and that is why the numbers are a little bit smaller than you would see in terms of handling everybody. You can only work with so many businesses, and also, the people themselves have to be coachable, you have to be able to assist them, and they have to be willing to accept your assistance, so that proactive process is a critical part of this type of program.

We also see an opportunity to expand the incubation program over time in terms of a farm incubator program; this is something fairly new. Moloka'i, the

college has a program but it is educational, focused on teaching people how to be farmers. The USDA has a national program that they are allocating \$18 million a year with a target of launching one hundred thousand (100,000) new farms because of the decline, and the younger people are not entering into farming. There is a program in North Carolina that does both hands on training, and there is a program actually in Washington State where they have plots where they actually incubate people to grow and build a business around small plot farming with the opportunity for them then to move onto their properties and they build into an incubation program. We see that as right in line with where we are going and what are the things the opportunities that presented themselves here on Kaua'i.

The other part is planting the seeds for the future and that is where the youth entrepreneurship programs come in. 4-H for many, many, years has fostered agricultural business and built that core, there is a much stronger play right now in terms of youth entrepreneurship across the board showing them alternate opportunities of employment and self empowerment. The Leadership Program here on Kaua'i is extremely strong, very well run. The work they are doing with Kapa'a High School right now and the whole expansion of that program is just exceptional; that lays a foundation I think that can be built on around this type of program and just to help that move it even further. What you start doing is planting seeds not now but five (5), ten (10), fifteen (15) years down the road.

What we do also see, one (1) of the conclusions was that the island has a fairly large number of existing commercial kitchens, so there really is not a near term need to build a building and to build a kitchen.

What you will see from this chart, the circles at the top in green, those are existing kitchens that are available to individuals. Hanalei has actually two (2) within walking distance of each other that I visited. You have got the Anahola kitchen that just opened up and they are serving clients. You have got kitchens that are in the development stage. Easter Seals is building a kitchen in Waimea; we have talked with them, they have an interest in possibly making that available for outside users. There are private parties that are developing or have projects in the works from Common Ground to Hale Kaua'i down at the port where they have an interest and actually serving that need. So as you look at the map you can see that basically the market areas have at least either near term opportunities or existing opportunities to serve clients rather than going through the process of having to build a new building. So we feel that in the near term in saying that the next two (2) to three (3) years, until you start seeing the kind of market demand and whether or not you are going to outstrip the resources of existing facilities, it would not be a wise investment to build another building.

We see there is a market, we see there is opportunity, it aligns with your vision, it aligns with the direction not only locally and culturally...what was so exciting about this project is talking with people and how well this fit; that does not always happen. I can tell you I have done just food related projects, I have done ten

(10) of these around the world and it does not always fit; this is such an alignment it was really exciting for me to see that. At the same time, there are a few challenges; the most important one (1), and as you talked about the importance of your staff and the importance of your Council and the leadership that you provide to lead the County, and to make things happen, leadership is one (1) of the most important factors in the success of an incubation program. This both came from the book. I have coauthored two (2) books on best practices on incubation, but a recent study, it was done by the University of Michigan funded by the U.S. Department of Commerce Economic Development Administration, identified leadership and management as two (2) of the key components to the success of these programs. We see the leadership, we heard about the leadership, the one (1) thing that always came back though, and the reason I bring it as a challenge is when asked can we get a core group of two (2) to three (3) to four (4) individuals that can commit to the leadership for five (5) to ten (10) years which is what is needed to launch this kind of program, is that here? Everybody then hesitated because they did not know. It was not that they did not say it is not there, they just said we are not sure we could get the commitment for that length of time. That is why we want to raise that and we want to present that to you because that is an important factor that has to go into the decision making process. The other part goes to what you all talked about, attracting and retaining high quality staff, and the Program Director. If you meet the top tier of program directors around the world, and I was just at an international conference three (3) weeks ago where we had people from seventy (70) countries, when you know the top tier people you can tell when you meet them; these are true leaders, these are true innovators, and that is what is needed also. Attracting that talent or building that talent is a critical component as well. Integrating existing business assistance in ag-business support programs, there are a lot of very good programs in place, but we have found is that they are fragmented at this point. You are making great headway with Kaua'i Grown, Kaua'i Made. I am hearing it regularly on the radio as I drive around, but these programs are not working all together in unison toward a common end, and this type of program can bring that all together especially from the business building part of it. Those are actually exits to help the business then reach the market place. So bringing all those together, the education, the business counseling, the business financing, the resources, the networks; those are the things that have to come together. It is not replicating, it is actually leveraging. For example, the ag-business incubator that is on O'ahu does serve Kaua'i, but right now they are very underutilized, and I think part of it, there are a couple of different reasons but this kind of program could pull that together. One (1) of the other gaps that we noticed, there was a need to increase businesses' access to capital. There is conventional sources, the SBA, the things you typically hear about. Early stage businesses typically do not qualify for those. What you are looking at are non-conventional sources that are run... Economic Development Corporation, Community Development Block Grant Funds, these are programs that take a little bit higher risk focusing on economic improvement; those are lacking right now in terms of support here on the island. One (1) of the other parts and one (1) of the subsectors is financing for small business, especially early stage ag-business and the food production side. The other

part, one (1) of the things that came up was one (1) of the opportunities that we saw with a number of different businesses was they were drawing revenues from various channels, from growing, to producing, to ag-tourism. It was the combined aspects that actually helped them survive. One (1) of the things that came back repeatedly was there was some confusion around the ag-tourism sector, and the reason we noted it was because that was a...is an opportunity that fits within the community in terms of the tourism side of what Kaua'i's economic opportunities are, but it also helps to strengthen the farm and the ag-business small businesses as another revenue stream to help balance the demands on them. The third, another part of this is making sure, and I say this because this is one (1) of the things when I train is that it is clear that you have to establish that there is sufficient value and outcomes to attract both clients and program sponsors. It cannot be a program that says okay here is a menu of services, we say we are doing it, it is truly demonstrating value and value driven by outcomes. The successful programs around the world that demonstrate that have waiting lists of clients, they also have people very willing to sponsor them because they understand what the outcomes are. It is not just contributing to a program, they are contributing and they are sponsoring an outcome; that is a critical element to understand. Going down the list we see a little further once again like anything is you just went through a budget, it is making sure you secure the funding necessary to adequately establish and operate this program. Along with that, once the program is launched one (1) of the things that we heard a number of times was there needs to be long term community support. There has been some feedback that we heard from multiple sources, so I pass this on, is that some people see a program but they do not give it the time necessary to mature and become successful. Most people, when I train, the average person will commit to something for about eighteen (18) months to two (2) years. These programs are like start-up businesses; a start-up business does not hit its growth stride and stability until years five (5) to ten (10). So there has to be efforts to make sure that the community is aware and anticipates the time it takes and the support within the community to move forward with this project. The last is sustaining current momentum. I think the business plan competition that you held this year, for a first year program, I can tell you I have been watching these programs, I actually participated in a graduate business plan competition in 1986, that is how old I am, exceptional, exceptional program, exceptional momentum, participation, quality, and I think that is type of thing you want to build on and you want to sustain that. That is one (1) that you would say one (1) time deal, at least that is how it was approached, I would just say that it is an important factor in moving the whole package forward.

So, budgets, near term we do not see a need for any capital budgets, this is basically trying to leverage existing capital investments and there may be a future investment if the market indicates that need. Operating budget on an annualized basis I put down two (2) figures based on feedback we received. There may be an opportunity to leverage staff and space with some other programs, those things have to be ironed out, figure out if it is a match with their mission and goals, but we see a minimum being about \$180,000.00 a year. That includes basically a director,

administrative staff, and then a person that deals with equipment and facility maintenance and operation, up to the \$225,000.00 per year as a standalone program. Where we find sources of funding, some of that would come from client fees and in all cases, the lending I do, you always say people have to have skin in the game, they have to have some commitment into the process. These type of programs, your returns typically do not come from them paying for the full freight for the level of services you are providing. There are grants available for targeted populations, as well as some of the ag-business, both in the foundation level as well as federal level that we see would be opportunities here. One (1) of the things that we feel is an opportunity and this has been successfully done on a couple of other programs is sponsorships where a corporation will actually sponsor a business, not the program, but they will sponsor an individual business to take them through the program. Citicorp has done this for disadvantaged women in the Bay Area, and they provide about \$25,000.00 a year per individual. Bank of America has done this, there is another corporation that has sponsored individuals; so we feel that is an opportunity as well. Once again, they are investing in an individual company with an anticipated outcome knowing what you are providing to reach that outcome, and that has to be clearly delineated in order to get that sponsorship.

In a summation, we would recommend moving to the next level to assess the opportunity for establishing a food manufacturing and agribusiness incubation program on Kaua'i; this would cover those three (3) sectors. We see that, but before doing that or as part of that process, this is a next step in decision making, it is not a full move forward no holds bar, this is really a next step – need to validate the leadership and commitment. If that cannot be mobilized I would suggest, then, it is not a worthy investment to continue much further. You need to prepare a business plan with the focus on integrating and leveraging existing programs and resources to support the three (3) sectors. This is once again showing people how it is all going to fit together, and I think that will also go a long way to getting leadership and buy-in when people actually understand what it is they are leading. What we have found is people will step forward around a concept, but they step forward with a more firm commitment when they actually understand what the whole program is about. So we are dancing a little bit here between getting commitments and trying to formalize what it really is going to look like. I would recommend, we would recommend through this is continue the business plan competition; we feel it is a very valuable asset both to these sectors but also toward economic development and entrepreneurship, and new business formation, and existing business growth on the island. We feel as part of this process, this next step is to actually meet with some potential funders and sponsors on a sort of preliminary basis to lay out the plan and to test their willingness to support it. This a lot of times is done after the business plan, we would suggest this being incorporated into your business planning process so that you do not move one (1) more step, and you have a much stronger feel for whether or not there is a willingness to commit. Once this is all done we would recommend that you revisit, after completion of the business plan and the meetings with the funders, revisit the entire decision process. At that point in time if there is enough commitment and these steps...and we have overcome these challenges as I

have laid out before you, then it would be worthwhile to actually then begin the fundraising process. So with that, are there any questions?

Ms. Nakamura: So let us open it up to questions. Councilmember Chang.

Mr. Chang: Hey Chuck, welcome back, thanks for the presentation, great presentation. Are you by any chance going to the countdown if you will of the eight (8) finalist tomorrow?

Mr. Wolfe: I am supposed to, yes.

Mr. Chang: Because that, I am glad that you are because...

Mr. Wolfe: I made a point to stay longer.

Mr. Chang: Okay, good. I think that is going to be very, very exciting, and then...I think many of us will be there tomorrow so we can chat and ask you questions on the way back. I am glad that you brought that up, this program, because I think it is a well thought out program and a long process, and it is nice to see what these entrepreneurs are thinking of ahead for the future.

Mr. Wolfe: Yes.

Mr. Chang: I am glad that you are going to be there, thank you.

Ms. Nakamura: Councilmember Kuali'i.

Mr. Kuali'i: Thank you. I had kind of a specific question on your slide number 5 where you show the program market area. By the way I thought it was an incredible presentation, very informative, and I really appreciate you having done the work that you have done and that you are here to tell us about it today, and I appreciate Councilmember Nakamura bringing this forward as well.

So the stars do not represent that specific area, it just represents the entire...

Mr. Wolfe: Region.

Mr. Kuali'i: The entire region of it?

Mr. Wolfe: Yes.

Mr. Kuali'i: And then later we see the other map that sort of shows in those regions what some existing kitchens are and may be coming by those regions?

Mr. Wolfe: Yes.

Mr. Kualii: Okay. And then your point was that the South is sort of separate, but they both sort of feed into either number 1 or number 3, the East Kaua'i or the West Kaua'i?

Mr. Wolfe: Yes. That I think is indicative of how people are viewing, and from the interviews, how people viewed the direction of travel and their willingness to travel.

Mr. Kualii: I just wonder about Kapa'a because Kapa'a is such a huge area and so it just borders there at the top of the East Kaua'i breakout.

Mr. Wolfe: The feedback we got was the majority of people in Kapa'a would come to Lihu'e.

Mr. Kualii: But they would not go the other direction?

Mr. Wolfe: They would possibly go to Anahola, but they would not go much further.

Mr. Kualii: Possibly? They are going to go to Anahola, it is a hop skip and a jump.

Mr. Wolfe: But it was interesting the perceptions, it was definitely interesting the perceptions; some would, some would not. That is why it is always very interesting to see how people perceive their market and the way they view their geographic area or sphere.

Mr. Kualii: Do you think especially when the path is completed, because then you have another alternative, people will be walking, biking for exercise anyway and then they can come to our market place and our kitchen.

Mr. Wolfe: That is where I went running, so I can attest to it.

Mr. Kualii: Thank you, thank you.

Ms. Nakamura: Councilmember Yukimura.

Ms. Yukimura: Yes, thank you. Very interesting report, and in terms of existing kitchens and program availability, in the Lihu'e area there is an existing kitchen with availability unknown?

Mr. Wolfe: Because I was not able to actually make contact, even though I tried to reach the individuals that were responsible for the kitchen, I could not get during the study or make a connection to get any clarification.

Ms. Yukimura: I see.

Mr. Wolfe: I did get clarification back, there were three (3) kitchens that people referred to regularly – the Salvation Army, the Veterans Center, and there is a third one (1) I cannot remember. But they all indicated to me that they were not available even though that came up in the interviews as regularly people saying well here is kitchens we can use.

Ms. Yukimura: Right.

Mr. Wolfe: Talking with the actual organizations they said they were not available.

Ms. Yukimura: So that is why I am wondering, one (1) of your conclusions is that there are enough kitchens?

Mr. Wolfe: For the amount of demand that there is right now, yes.

Ms. Yukimura: Because I know that I have spoken to many sunshine market vendors, and they are very interested in a kitchen but their perception is that none is available for them to use, to develop value added foods and so forth.

Mr. Wolfe: In general people are not aware of the kitchens that do exist, and there are a couple that are in development right now. For example, the Easter Seals kitchen in Waimea is under development, it is under design right now.

Ms. Yukimura: And in Līhu'e you have existing kitchen under development, is that the one (1) on Ahukini?

Mr. Wolfe: That is on Rice Street.

Ms. Yukimura: So it is not the Papaya Disinfestation Plant?

Mr. Wolfe: No. We did look at the Papaya Disinfestation Plant and based on its current condition and structure, it is, other than having a steel structure and a concrete slab, that is about the only value; it is not a well suited facility for a commercial kitchen.

Ms. Yukimura: So the one (1) that you have under development, potential opportunity is what?



Mr. Wolfe: There is one (1) that is being proposed down, it is privately at the port in Hale Kua'i. If you are familiar with the building where the County used to have offices, the warehouse behind that.

Ms. Yukimura: Yes, right. But it is not going to be available?

Mr. Wolfe: No. At this point, that was one (1) under development that will likely be available, but it is not, near term it is probably twelve (12) to eighteen (18) months down the road.

Ms. Yukimura: Okay.

Mr. Wolfe: Then the other one (1) is partially completed, but the owner has run out of money so that is not operational and there is no indication of when that would become operational.

Ms. Yukimura: Is that your circle, your maroon circle?

Mr. Wolfe: Yes.

Ms. Nakamura: Councilmember Yukimura, would it be possible to have the details flushed out? I think having more details, right now this is just the map, but to show where they are located, how many kitchens are available, what the rental fees are, that type of information would be useful in many other ways.

Ms. Yukimura: The reason I am asking is I am saying this as a conclusion that is leading to your recommendations, and I guess I am not understanding the recommendation in terms of...I mean it does not look like a real availability of kitchens to me. Maybe I am misunderstanding it that is why I am questioning, not in like the Pacific Gateway is available to people of all incomes and for a variety of times and flexibility. I am just wondering how you do this product development that I think is one (1) of the goals or outcomes.

Mr. Wolfe: Correct, correct.

Ms. Yukimura: So I am not understanding, and that is how I, that is why I am asking these questions.

Mr. Wolfe: What I would say, a normal commercial kitchen to be sustainable and to warrant the investment because unfortunately kitchens are very expensive to develop. One (1) there are some issues you have where we brought up in terms of the three (3) distinct markets. In more other geographic areas that we have worked, you would have a single kitchen that would draw from seventy (70) to a hundred twenty (120) miles; that is the typical range that people travel to commercial kitchens. On the island that is not going to happen. The North of the

island is served with a number of kitchens with a number in process. The Eastern side of the island has Anahola, there was reference to a church kitchen in Kapa'a that we did not get feedback on, so that is why there is a red triangle. There are those under development in Līhu'e. There are the ones in development and they will be online sooner than we could, if I were to say build a building, they would be on line faster, they are already in design, they have the money in place, they are ready to start construction. The thing is that those, when those come on line you will likely have the resources to serve the people because the average user only is doing a batch process and they will only use a kitchen for a day or two (2) maybe every two (2) or three (3) weeks. This model is very similar to what is done actually in New York City where there is two (2) incubation programs and they use existing kitchens just like this, and they use off hours.

Ms. Yukimura: So you are confident that there will not be a lack of access to kitchens in a way that would...

Mr. Wolfe: Inhibit the formation of the companies.

Ms. Yukimura: Prohibit this whole program from working?

Mr. Wolfe: Right.

Ms. Yukimura: And what gives you that confidence? We have all these other Salvation Army, Veterans, etc., but they are not available, what would make it so that it would not be like that with these new kitchens that are coming up?

Mr. Wolfe: The ones that I have actually talked with the people that are developing the kitchens and they have actually indicated that they have a willingness to provide space and availability for those kitchens.

Ms. Yukimura: At what price?

Mr. Wolfe: The pricing, most of the average price right now is \$15.00 an hour which is way too low, you cannot even support having a staff person onsite during that.

Ms. Yukimura: Right.

Mr. Wolfe: But the two (2) in Hanalei are at \$15.00 an hour, Anahola is at \$15.00 an hour, and that seems to be the going rate on the island, Pacific Gateway ranges from \$23.00 to \$57.00 an hour for their kitchens. So the objective is not, part of when I look at a feasibility is is it a wise investment for you to commit to build another kitchen for the target population, for the volume that will do to get a return on that investment. What came out of the analysis, and I said I have been doing this for twenty-two (22) years around the world and co-authored a

book on the process, is that it would not make sense at this point in time to build a kitchen because there is not enough demand for anything greater than what already exists, and to leverage existing assets would be a much wiser investment.

Ms. Yukimura: That sounds like a very good conclusion so I am just wondering about the accessibility of the other kitchens and if, I mean, what you have is decentralized systems, a lot of per kitchen overhead cost and I am just wanting to make sure that there might not be some things you do not have to do to incentivize accessibility of those kitchens.

Mr. Wolfe: Well the thing you have to worry about with small business, and this is back to those that...there is a part where incubation as a whole, when people come forward to use an incubation program, the rule of thumb, and like I said I have trained best practices all over the world, Japan, Taiwan, Australia, all over the U.S., and there is a rule of thumb because I always ask the question – how many people do you accept into your program that apply? The top tier programs only take about one (1) out of ten (10). Those that are in a more, not quite as robust in economic setting is one (1) out of five (5). So you do not take everybody, and you will filter, there will be some people who will choose and actually they already are choosing not to use commercial kitchens and I can tell you just from interviews there are a number that will continue to produce in a noncertified kitchen because they can; all over the U.S. this is an issue. Public Health officials struggle to get people to move out of their homes especially people that are selling at farmers markets to actually produce the product in a certified kitchen.

Ms. Nakamura: Can we have other members ask questions, and then we can come back to you?

Ms. Yukimura: Surely.

Ms. Nakamura: Councilmember Rapozo.

Mr. Rapozo: Thank you. Thanks for the presentation. I really appreciate the detail. I think this is, when you sat through the budget we talked about feasibility studies and I really appreciate what I would call a feasibility study, and you are saying hey do not rush, do not go build and spend all this money on a facility because we have this already in place, and I really, really, appreciate that. My only question was, because I am totally unfamiliar with where these existing kitchens may be, are you at liberty to explain the three (3) red triangles?

Mr. Wolfe: Sure.

Mr. Rapozo: Okay.

Mr. Wolfe: They are actually in the report.

Mr. Rapozo: Well we did not get a report.

Mr. Wolfe: No, no, we are putting them in the report.

Mr. Rapozo: One (1) of them is in, if you look, I am looking at the Līhu'e quadrant, or not quadrant but there is one (1) in Lāwa'i?

Mr. Wolfe: Yes, that is actually Lanakila Pacific, they have a kitchen. They currently, and this is conversations with them and their main office on O'ahu, they do rent out their kitchens on O'ahu. The program on Kaua'i is very new, and so at this point in time they do not feel comfortable saying that they are willing to offer that kitchen for outside rental, but it is something that they will be willing to consider once they get a little bit more firmly established on the island and understand how they are going to use the facility. So that is why...

Mr. Rapozo: No that is fine, that is fine. I am just curious. And then the one (1) right up next to the right of that that looks like some place in Līhu'e, Puhi, is that maybe by the college or something?

Mr. Wolfe: Yes. That is the plantation...Kilohana.

Mr. Rapozo: Kilohana?

Mr. Wolfe: That was brought up, the cruise lines actually have put money in to help expand the kitchen there and a number of people have brought it up but I was not able to get in touch with the individual that actually controls that kitchen.

Mr. Rapozo: And then there is one (1) in Kapa'a.

Mr. Wolfe: Kapa'a is the church...

Ms. Nakamura: I believe it is the All Saints Church?

Mr. Wolfe: Actually...

Ms. Nakamura: Behind in the red gym?

Mr. Wolfe: Yes. There is also the Missionary Church right there.

Mr. Rapozo: The Missionary Church heading North is on the right, the All Saints Church is on the left.

Mr. Wolfe: Right. They both have been mentioned, but I tried to reach the Missionary Church.

Mr. Rapozo: The Missionary Church.

Mr. Wolfe: The other one (1) only got mentioned once, the other one (1), I usually look for multiple referrals before I...

Ms. Nakamura: There is one (1) kitchen available at All Saints, Anahola Granola worked out of that one (1) and it is available.

Mr. Wolfe: Okay.

Ms. Nakamura: But with some rehab needed.

Mr. Wolfe: Okay. One (1) of the things that was surprising and I think John from SPDC can attest to this (inaudible), as we started to process we kept finding more and more kitchens. You would talk to somebody and they say well there is a kitchen over here, and it is a, we narrowed it down to eleven (11) that we tried to research and so yes, those are all things that go into this process.

Ms. Nakamura: And that is why this database is so critical for this island to have.

Mr. Wolfe: Right.

Mr. Rapozo: Just one (1) more, the Rice Street, this one (1) is a potential, it is under development? That is not the Hale Kaua'i right?

Mr. Wolfe: No, that is Bea Raco's (inaudible) property.

Mr. Rapozo: Okay. Bea Raco.

Mr. Wolfe: We went through that, I actually spoke with her and right now it is in a holding pattern.

Mr. Rapozo: Okay. Thank you very much again, I know there is definitely a demand and there is a lot of...a friend of mine uses a commercial kitchen at a restaurant to make his sausage so he can make them for sale; I am sure he would drive if he had to, he would definitely drive to a certified kitchen. So I like your comment seventy-five (75) to one hundred twenty (120) miles, so I can see we do have the necessary inventory, now we just got to develop it.

Mr. Wolfe: Right. I would just reiterate the more important part is you actually have a market opportunity from an economic development perspective to build these sectors. It is not a matter of...the key part of this is you

have a lot of people who are more focused on lifestyle businesses. We surveyed and we have twenty-two businesses we actually surveyed, the average was looking at keeping the business under five (5) employees. There were a few that wanted to be big, but majority of people want either sole operator or small. But, economically that is a very viable opportunity within your economic continuum to have small, and that statistic of those that want to get big, because I asked that at Pacific Gateway, they said we see probably one (1) out of fifty (50) to one (1) out of seventy (70) that want to be big, the rest of them are going to stay small.

Mr. Rapozo: Thank you very much.

Ms. Nakamura: Councilmember Bynum.

Mr. Bynum: The report is in the draft form or what is the ETA on the report?

Mr. Wolfe: It will be completed June 30.

Mr. Bynum: And so mobilizing a long-term commitment from key leaders, are you talking about political leaders?

Mr. Wolfe: Actually one (1). It needs to be a cross-section of public/private. It really needs to be a cross-section.

Mr. Bynum: Okay. Attracting a high quality program director I know how important that is. There is a group of individuals in the Country that have this kind of background that you are talking about...

Mr. Wolfe: Yes there is.

Mr. Bynum: And what would be a going salary for a program director?

Mr. Wolfe: Actually, I was fortunate enough when I went to the conference, I asked people at the conference that run kitchens and the range is \$70,000.00 to \$80,000.00 per year plus the benefits and everything else.

Mr. Bynum: But they are not actually running the kitchen?

Mr. Wolfe: No. They are the actual person that is running the program...

Mr. Bynum: That is bringing together all these diverse elements into a program.

Mr. Wolfe: Right. And then there is basically someone who would be doing more of the procedural parts of the kitchen, and that is much lower.

Mr. Bynum: I thought it was very interesting that one (1) of the challenges was formalizing ag-tourism regulations. I was discussing with our State Representative yesterday this issue about, because we have to integrate with what the State is doing. Sometimes the State helps us and we say please do not help us because it actually causes difficulties. Ag-tourism is kind of a political football of what that means and it means different things to different people, so there is a lot of work that needs to be done here including legislation from Kaua'i right?

Mr. Wolfe: Yes.

Mr. Bynum: Okay. The next step about developing a business plan would be basically another consultant contract, correct?

Mr. Wolfe: That would typically be how it would be done, but that is up to, your decision.

Mr. Bynum: And so when you looked at resources I understand sponsorship and the need for a program director to address those issues, and to look at the finance issues, but I just want to be clear we are talking about additional resources from the County of Kaua'i if we want to take the next step?

Mr. Wolfe: That, or to seek other people to sponsor it. A lot of these studies are done in collaboration with other sponsors.

Mr. Bynum: Right. But it is kind of like the development of a business plan is when those things start to solidify.

Mr. Wolfe: Right. But I also have worked on a number of projects where even the process of developing the plans is paid for by multiple sources.

Mr. Bynum: Okay. And the program director comes after the business plan?

Mr. Wolfe: Yes.

Mr. Bynum: After?

Mr. Wolfe: After you want to make sure, I think I outlined.

Mr. Bynum: And you mentioned CDBG as a potential funding source?

Mr. Wolfe: Yes.

Mr. Bynum: Of course you know we are all lobbying around the Country to keep CDBG that is under attack, and it is kind of been whittled away.

Mr. Wolfe: Yes.

Mr. Bynum: We currently use it for Housing and other...

Mr. Wolfe: Correct.

Mr. Bynum: But it is a potential source of funding for sponsorships?

Mr. Wolfe: Actually under the microenterprise I am the technical assistance consultant to the State of California's Small Cities Program, I have been for the last ten (10) years, and I have done work for HUD in Washington, and I have worked with entitlement communities, so I have got about twenty-two (22) years of CDBG experience. There is a microenterprise component that is very viable, actually Pacific Gateway is using CDBG funds for that.

Mr. Bynum: Does that require the clients to come from a certain, to have a certain criteria?

Mr. Wolfe: Yes. The owners of the businesses have to be low to moderate income.

Mr. Bynum: Right.

Mr. Wolfe: And that business has to have five (5) or fewer individuals.

Mr. Bynum: I like the changes we have made over the last few years in terms of (inaudible), because it is pretty broad what you can do with CDBG.

Mr. Wolfe: Yes.

Mr. Bynum: Very broad. We have been focusing more on Housing and less on fire trucks and kind of capital things which I think is a good move, and it is just very interesting. I think I will not go to any more further details right, it just gives me a sense of where we are going. As I said earlier during budget presentation, in my experience on Kaua'i we talk about diversifying the economy, and there are programs...I really like the part where it is like there are this program here and this program here, but how does the individual maneuver that, and that is really what this is about, trying to bring and giving that assistance to



individuals to maneuver existing resources, identifying where they are not, creating them when necessary, that kind of stuff.

Mr. Wolfe: It is proactive.

Mr. Bynum: And this is, I have already expressed today my pleasure that we are actually putting resources and commitment to not just saying we need to diversify the economy but taking specific actions. You have identified...there could have been other elements that were identified for incubation, but you have identified the ones that are viable here, that is the strength of your study, correct?

Mr. Wolfe: Yes.

Mr. Bynum: Thank you very much.

Ms. Nakamura: Councilmember Chang.

Mr. Chang: I was just going to say for the viewing audience and for the television audience, can you just remind them, because we talked about CDBG real fast, so they do not know what CDBG...

Mr. Wolfe: Yes. It is the U.S. Department of Housing and Urban Development Community Development Block Grant Program. It is federally funded program with the State...receives the funds, and then the County receives funds. I looked at your allocation and it was roughly about \$790,000.00 annually. There is federal funds and the primary focus is to assist individuals that are low to moderate income, and there is three (3) national objectives, there are a lot of things, but yes...

Mr. Chang: Thank you.

Ms. Nakamura: Councilmember Kualii.

Mr. Kualii: Thank you. Just another quick one (1). So on your bullet in the end on the summation and recommendations, you say prepare business plan with focus on integrating leveraging as existing programs and resources to support, and then there is three (3) bullets – food manufacturing, food production for growers, and ag-tourism. I get the correlation between food manufacturing and food production for growers and the pieces added to that, the packaging, the marketing, maybe exporting, I mean developing businesses in that sense and how it is connected to a commercial kitchen. How does ag-tourism match with those other two (2) bullets, and are there others that was left out? Or are those just the three (3) that rose to the top?

Mr. Wolfe: In tourism from a kitchen and food production standpoint, those are the ones...there sometimes the arts might be something, but we were not really looking at the arts. Agri-tourism, the fastest growing segment, two (2) studies were done in 2011, the average tourist is looking for an eating experience when they visit, not that we all do not eat. But, they like to have, what the largest segment of growth in that arena is visiting locations where they actually experience something where they consume something. So the food production, the growing, going to farmers markets falls under agri-tourism. So visiting farmers markets, buying local goods that are produced or local products, fit within this as well as farm tours, that is a small segment of that. But looking at the production process there is educational sort of tourism, so under ag-tourism they also have ag-education where people learn about the process of growing and producing, which fits within I think from a perspective we said a lot of reasons why people do come to Kaua'i. The point was made, it is not here for the night life, they are here for the experience. I can attest, I have visited all of the islands, and I can tell you this is the place to live, I told my wife that.

Mr. Kualifi: Thank you so much, that helps me understand that.

Ms. Nakamura: Just as a commentary, I am working on an ag-tourism bill that follows the State law that hopefully we will try to get some feedback from the Farm Bureau and other organizations before presenting it to the Council. Councilmember Yukimura.

Ms. Yukimura: In terms of CDBG, where do you see that working best?

Mr. Wolfe: Basically you would sponsor a microenterprise, actually a business, and you would allocate a certain amount of funds for say for example you would sponsor five (5) businesses. So it would basically be in the package of services that would go with that, and CDBG gives you a lot of leeway in terms of the range of services that can be provided to that individual; it is a lot less onerous in terms of recording and all the other things that go along with CDBG.

Ms. Yukimura: Okay. So you see it as funding a microenterprise fund for low income business owners?

Mr. Wolfe: It would actually be sponsoring the individual business and helping to pay for the support services for that individual business.

Ms. Yukimura: But you would need some kind of an administrative selection process?

Mr. Wolfe: Basically doing income certification, but that I would almost guess you have that with your Housing Programs, it is almost always in place.

Ms. Yukimura: I see. So individuals would apply for the CDBG money as part of the CDBG application process?

Mr. Wolfe: No. What you would make a decision as a County to allocate a certain amount of funds for sponsorships, then people would apply to the program if they were CDBG eligible then they would be entitled to...

Ms. Yukimura: So that would be administered by the Food Manufacturing and Ag Incubation Program?

Mr. Wolfe: Right. That process would be something you would design as part of the business planning process.

Ms. Yukimura: Alright. Thank you.

Ms. Nakamura: Yes?

Mr. Rapozo: Basically we would do the same process as we do for Housing, we get CDBG money for Housing, we would basically use the same...the County would apply for the funds, we would get the CDBG, and we would administer that like we do for the Housing Programs, but we would replace the Housing with...

Mr. Wolfe: Businesses.

Mr. Rapozo: Right.

Mr. Wolfe: Yes.

Mr. Rapozo: Sounds like a plan. Thank you.

Ms. Nakamura: Thank you, Chuck. We know we will be expecting your report at the end of June and I know all Councilmembers will receive a copy of the report, and then we can have further discussion at that time. We have funded the next phase which is the business plan phase of the project, so thank you very much, I am going to open it up for public comment now.

Mr. Wolfe: Thank you.

Ms. Nakamura: Thanks Chuck.

Chair Furfaro: Excuse me, I have one (1) question.

Ms. Nakamura: I am sorry, Council Chair.

Chair Furfaro: Thank you. Chuck, when we see the next phase of the business plan strategic planning for this, will there be a suggested list of, from what you now know of our community, of business groups that could be good partners? Like Farm Bureau, Chamber of Commerce, KEDB?

Mr. Wolfe: Yes.

Chair Furfaro: It will be?

Mr. Wolfe: I can tell you when we do this, I am already thinking...I can also tell you that over fifty percent (50%) of the time we tell people not to proceed. So, this is not, just so you know, we are known around the world for telling people not to do incubator programs. I am also very clear in terms of those challenges. But those organizations and your partners, there is quite a list already.

Chair Furfaro: And this list of potential partners is quite a large list, will be part of the strategic thinking?

Mr. Wolfe: It will be.

Chair Furfaro: Thank you.

Ms. Nakamura: Councilmember Bynum.

Mr. Bynum: I apologize, he just said something. When you said we are known around the Country for telling people no, you mean as a consultant you come and do the study and tell the community no?

Mr. Wolfe: Not a good idea. And I usually, what we always do is we recommend...what we focus on is what do you want to achieve out of this study.

Mr. Bynum: Right.

Mr. Wolfe: And probably of those ones we say no, a good ninety percent (90%) of them we give them an alternative that will achieve the same thing without doing an incubator.

Mr. Bynum: Thanks for that comment.

Ms. Nakamura: I really want to take the time to thank the Director of the Office of Economic Development, George Costa, for overseeing this contract and Mattie Yoshioka from Kaua'i Economic Development Board is here, who I think

did their due diligence in finding a very excellent consultant to help us. Thank you, Mattie.

Mr. Wolfe: Thank you.

Chair Furfaro: Chuck, thank you.

Mr. Rapozo: (Inaudible)

Mr. Wolfe: Primarily small business and small business lending, that is my, I used to do ED strategies.

Ms. Nakamura: So we are going to open it up to public comment now, would anyone like to testify? Mr. Mickens.

GLENN MICKENS, RESIDENT: Thanks, Nadine. I thank Mr. Wolfe for his fine presentation. It was clear, to the point, and easy to understand. Being able to get Kaua'i off of imported food is a great sound bite. As I presume, these kitchens are programmed to do I think what is the basic thing that we are trying to do on Kaua'i. As Roy Oyama told me, we have the land to grow our food, but we do not have enough farmers to grow crops, and farming is not economically feasible for people to do this even if they want to. Sure we have enough backyard farmers to supply the farmers markets, but that segment is miniscule besides what the population consumes. The big crops on Kaua'i that was once economically feasible were pineapple and sugar, but due to these crops being imported cheaper, these two (2) industries died. We have a small coffee industry on Kaua'i but very small to be very profitable and possibly I think the coffee has to be grown in a certain area on Kaua'i. Farming is a hard back-breaking job; I have never done it, but I have seen people that do farming and I would not want to do it. I salute all those farmers who do this work, but even though Mr. Wolfe's program is fascinating, until we end, I heard him say fifty percent (50%) of the time he says no, so I am eager to see what he would say to Kaua'i. We know we have the people to farm the land and make sure it is profitable, I do not know how it could work. We do not have the huge farm lands on Kaua'i like the mainland to harvest the way they do. Sugar and pineapple did it on Kaua'i, but it is gone. So, again, I say that the farmers markets and things...they want to grow the crops for the farmers markets; it is feasible and people can do it. But to get us off of crops, and I know that KCC is initiating programs for the young people, but I defy anybody to tell me that the young people are going to go become farmers when again if they take a look and see what their income is going to be off of farming for the amount of work they have, I do not see them being the future farmers of this land. Anyway again I appreciate Mr. Wolfe's presentation and I am sure that it will be taken into consideration. Thank you.

Ms. Nakamura: Thank you Mr. Mickens. Would anyone else like to testify? Could you state your name for the record?

RANDY FRANCISCO, KAUA'I CHAMBER OF COMMERCE: Thanks for the opportunity to make this study occur because studies, the challenges, you do them, you pay them, and then you put them on the back shelf. In this case I think the momentum is here. I was involved in the University of Hawai'i System with the Culinary Hospitality Travel and Tourism Program at Kapi'olani Community College, and in the infancy, the development of Hawai'i Regional Cuisine. One (1) of the things we often discussed was launching a farmers market. To that end you probably heard about Kapi'olani Community College along with the private sector markets, and having experienced that and eventually Mau Organic Farms, and personally helping to develop not one (1) but three (3) community kitchen incubators including Waialua, one (1) of the lessons I learned is that we can have the farms but we also need the resources. We embarked on not just developing a kitchen for the Waialua community that created value added products but more importantly the business resources from marketing, management, you name it, it was available to these small backyard farmers. Throughout that experience we also learned that we needed to create a generation of children and youth who would consider farming as a viable economic activity. I appreciate Mr. Mickens pointing that out because in the study, as I had received the draft, I was pleased to see that Leadership Kaua'i and its Pi'ina Hoku is embarking on that kind of a partnership. Some of us this spring had the opportunity to go to Honolulu and actually visit one (1) of the initiatives I was involved in which was Mau Organic Farms. That partnership really is about what they say mala'ae opio which is about youth being involved in agriculture. I think we have the opportunity now to engage not only the public school system but what Kaua'i Community College and its Chancellor is committing to which is the establishment of an agriculture program. I strongly believe that the synergy from all the sectors, not just the leadership from the County, but the small mom and pops are creating the leverage that is needed. We also need to continue to focus on this vision and be risk takers, but calculated risk takers. I just want to leave you with the idea that we have come to this step, I do have one (1) recommendation to Mr. Wolfe because I do feel that the one (1) part that he still has time, which is June 30, is to contact and go back to those kitchens because we really need to make sure we have the correct assessment of these kitchens. These are wouldbes, wannabes, but are they for real, so that we can prepare the kind of landscape of what is really available. Thank you.

Ms. Nakamura: Thank you for your comments Randy. Would anyone else like to testify?

JOE ROSA, RESIDENT: Farming is a chore and I know even in the elementary schools we had gardening from the fourth grade to the eighth grade; today DOE do not even have gardening in the education or in grammar school. Also if you took a liking to farming when you go to high school, they had future farmers classes there that you would continue to pursue a farming education; today there is none of it. Even for the girls I do not hear about homemaking, they used to have homemaking in elementary school and all that. Girls used to learn how to bake, how to sew, but today there is none of it. So to perpetuate what they are talking about,

land has to be made available, and government has to help the farmers in a way of providing maybe reservoirs for water, you need water for farming. You do not talk about those things. One (1) of the critical things is water. The plantation water systems is all down the drain, and who is going to kind of restore it and help those farmers out? Talk is cheap but to execute, that is something else. I know myself that look out at Hanalei, the taro farmers, they have a problem now with the so-called birds, the nene goose. What is the government going to do? Are they going to still protect the nene goose and let them destroy the crops? Those are the kind of things that they face. There is not an open season for the nene goose yet, but it is running all over the place, at the airport is getting to be a problem, at Hanalei the farmers are facing the problem, they have been losing tons of taro. So government has to decide whether it is going to be the birds, the animals, or survival for farmers and for people. That is the same thing with the fisherman and the monk seals; nobody answered me at one (1) hearing when I mentioned how many pounds of fish does a seal need to survive a day? They blame the poor fisherman overfishing. I noticed, I have lived here, I am eighty (80) years old, and I have noticed that problems started to exist when the seals came about for the fisherman. Now my good friends the Haraguchis out in Hanalei complaining about the nene goose. So what are the feds going to do? The Farmers, you are going to lose them, gave up their farming?

Ms. Nakamura: Mr. Rosa you have three (3), that was three (3) minutes, so you have another three (3) minutes.

Mr. Rosa: Anyway, those are the things that government has to do, not only talk, execute, do something and really prove it to those guys to make it worthwhile their time to invest in the farmers. I thank you.

Chair Furfaro: Just for general information and maybe it has been missed in the past, this Council is planning a field trip to Hanalei in early June to address the farming needs and communicate something to the State as well as the Federal Government. So your message was heard Mr. Rosa.

LAURA CRISTOBAL, RESIDENT: I am the owner of Salty Wahine Gourmet Hawaiian Sea Salts. I have a couple of things to mention, as far as the business plan competition it is a fabulous program, I participated or am participating, we are actually one (1) of the eight finalists and I have grown my business really fast the past four (4) years since I started it. I thought I had a really good knowledge of where I am going, but this business plan competition has opened my eyes to a whole new level and the sky is the limit now that I have a good understanding. It has been a seven (7) month road of this competition and I encourage it to continue because all small businesses if you have that solid base, that is what is going to help them succeed. Moving on to my next thing with the incubator kitchen, we are actually probably going to break construction next week on my own commercial kitchen, and I have already signed on one (1) small business to rent space from me once it is open, and looking to open it to more. The issues that

I am coming across is liability issues, the lawyer expenses trying to get that all in place, insurance issues, scheduling, things like that, that is a whole new area. So me as a business person trying to run my own business, plus trying to take on all of that other things, if there is a resource that I could tap into to help me mitigate all of those issues without trying to research it all myself and working twenty (20) hour days, etc., that would be great too. So instead of having one (1) central incubator program for everything, the kitchens out there there are tons of them but they do not want to deal with all that I am going through right now. In fact sometimes I hit a roadblock and go ugh do I want to really do this, but yes I do, because people with kitchens have helped me get to where I am, so I want to do the same thing. Yes, resources would be really great. That is all I have to say about that.

Ms. Nakamura: Thank you very much for sharing your perspective, and I hope that you can connect with Chuck while he is here. Thank you.

JOHN LATKIEWICZ, HAWAII SMALL BUSINESS DEVELOPMENT CENTER: One (1) thing I wanted to do was just kind of underscore something that Chuck had said. Basically which is when you say commercial kitchen business incubator, there was a group of us that was kind of working on trying to push this along, in our discussions you would have some people that were really underlining commercial kitchen and those of us that were underlining the business incubator part. I guess as Chuck was mentioning, I think the real power of this is not the facility; that is the part that is really easy to kind of get hung up on. You see the Pacific Gateway Center and it is just exciting, you just drool over it. That is not really where the impact on our community is going to be, it is going to be on people really learning how to run their business as Laura was mentioning as well. I just want to echo again what Chuck said, the business incubation part is really the key to making this program a success and making our ag and food industries a success. Thanks.

Ms. Nakamura: Would anyone else like to testify from the public. Then if not we will close that section.

The meeting was called back to order, and proceeded as follows:

Ms. Nakamura: We will be getting a business plan update, that would be the next step when we will probably see Chuck again. Council Chair.

Chair Furfaro: I just want to add to the discussion that, Chuck, I hope when you pull these pieces together, especially as Mr. Francisco mentioned, I think you need to do a closer evaluation of the facilities that are available to us, what facilities have steam, what facilities have refrigeration, especially if we are hoping that the products become such a hit for these entrepreneurs that they can be exported and handled appropriately. I think that is going to drive our decision about if we have to look at any capital pieces to make sure that we have a clean inventory of the facilities that you mentioned. Thank you Nadine.



Ms. Nakamura: One (1) thing I failed to mention is that Sandy Kato-Klutke was here earlier, and she had to leave, but she wanted to just convey that she left me this basket with the cacao beans ready to be picked, the cacao plant seed ready to be opened up, and the sample of what it looks like, and then the final roasted bean, that then gets transferred into this chocolate chichimochi that she made for the Council. Her point was that this is really from the Moloa Bay Coffee Company, and they are promoting this, so wanted to just say that these are opportunities that are possible on Kaua'i, and she supports this incubator commercial kitchen facility program. Anyway, I just wanted to convey that for Sandy. More comments? Councilmember Bynum.

Mr. Bynum: I just really enjoyed this presentation and it is really timely, we just came off of the budget where we continue our commitment to diversifying the economy. I just have a few comments that, it amazes me the passion of business owners and young people who are out there farming. I heard young people do not want to farm, the ones I have met sure do want to farm and they are passionate about it. I have a friend that is growing cacao in Kapa'a and its like what are you going to do with that, oh I have faith that the market will be there. Well this is about putting together those passions right? It is about putting it together where the grower, the producer, the value added product, in a way that really become significant for our island, ties in with the commitments that the County has made and the leadership we have seen at Kaua'i Grown, and Kaua'i Made. I am just thrilled, it is like coming together and we making the next steps. Mr. Oyama was mentioned here today, I have had extensive talks with...his frustration in the past where co-ops came together, co-ops fell apart, this desire to work collectively, but what was missing was that kind of expertise and coordination that is what we are here talking about today. And so, I would assume Roy would be thrilled with this idea that we are going to try to bring these diverse passions and elements together into something that has a holistic...that the whole is greater than the parts. Thanks.

Ms. Nakamura: Any further comments? This motion was received and I think this concludes this session. We did not vote?

The motion to receive C 2012-172 for the record was then put, and unanimously carried.

Chair Furfaro: Members, Vice Chair Yukimura was excused at my request as there was a Veterans presentation today which we had the Council Resolution and it was coming to conclusion, so I want to say that I am going to want us to break for lunch. I do not know if we can make any of the ceremony at this time, but when we come back we will go to item C 2012-173, and then also we have a scheduled Executive Session for today. We are now adjourned for lunch, Chuck, thank you very much for your presentation.

There being no objections, the meeting recessed at 12:25 p.m., reconvened at 1:42 p.m., and proceeded as follows:

Chair Furfaro: Members, we are back from our lunch recess and we are going to take, first can you read the communication?

C 2012-173 Communication (05/01/2012) from Robert Crowell, Chair, Salary Commission, transmitting pursuant to Section 29.03, Kaua'i County Charter, the Salary Commission's Resolution No. 2012-2, relating to salaries of the Police and Fire Chiefs and their deputies, adopted by the Salary Commission on April 23, 2012: Ms. Nakamura moved to receive C 2012-173 for the record, seconded by Mr. Rapozo.

Chair Furfaro: Any discussion? No discussion? You want discussion? Go ahead.

Mr. Bynum: So this is a recommendation from the Salary Commission to increase the pay for the Chief of Police, and the Deputy Chief of Police, the Fire Chief, and the Deputy Fire Chief. I am going to support this resolution, I have testified at the...by receiving it, the Council is allowing this to go through. Under the Charter we have the option of receiving it or basically taking no action in which case it comes, or rejecting it in whole or in part. I have testified at the Salary Commission in the past that I think there are certain positions in the County that are competitive nationwide in essence when we recruit and are unique. The Police Chief and the Fire Chief certainly fall in that category, along with some of our Department Heads that require advanced degrees or special licensure. I have always thought that it made sense to distinguish between those Department Head salaries that do not necessarily have unique circumstances or require special certifications and licensure; I think this is consistent with that. However, I feel that it is important to mention that earlier in this year some Councilmembers felt that the shall March 13 deadline was so important that I was made a defendant in a court case to do that, so I will be very surprised on how the Councilmembers vote on this to receive because that is inconsistent with the position that was taken earlier in the year. For myself, I am going to support a motion to receive, which means it allows the salary increases to go forward.

Chair Furfaro: Thank you. Does anyone else wish to speak at this time? Mr. Kualii.

Mr. Kualii: Thank you Mr. Chair. Yes, I will be voting no on this and I still hold my position on the shall and hopefully this will be the last vote I have to vote no on because of my position on shall. We are in the process of working through that amendment, staff has gotten a third through the seventy (70) pages of the Charter and has already found two hundred (200) shalls, so we are trying to find the shalls which have date specifics, and then to look at the consequences. Eventually we will have this clear so that the Charter is followed as it should and

for today I will be voting no even though I do of course support these increases as I believe should have been recommended initially by the Salary Commission. Thank you.

Chair Furfaro: Any further discussion? If not I am going to go ahead and call for the vote. You have discussion? You have the floor.

Ms. Nakamura: This is more of a question because if we vote to receive, that means these would be the...does that mean this would be the new salary?

Chair Furfaro: This is what it means, we are four (4) hours from approving a Budget, if we move to receive it then it goes into effect as long as we have four (4) votes, then the Budget needs to be amended, thus the point of how important shall and may are when it comes to critical reviews especially when it comes to cost items. So that is what happens if we have the majority vote it becomes effective and then I believe we would have to amend the Budget we just approved.

Ms. Nakamura: If we were to amend and the Budget currently does not reflect these salaries, would the Departments be able to pay these salaries if there are funds in their budget but not line item?

Chair Furfaro: If you remember during the Budget process I asked you folks if you wanted to change the Budget item now even though we have not seen the resolution, and the net adjustment to this is about \$12,400.00. Basically it was no let us wait until we vote on the resolution, but if we vote on the resolution now then we will have to amend the Budget. That is where we are at. Anybody else wants to speak? Vice Chair Yukimura.

Ms. Yukimura: Was there any other information sent in terms of the rationale and how this decision was made separate from the study that is going to be done? Did we get any additional information.

Chair Furfaro: Jade, we are talking about the resolution dealing with certain officers of the County of Kaua'i namely the Police Chief, the Fire Chief, and the Deputy for each. I believe the entire resolution was reviewed but they only voted to adjust these four (4) positions, is that correct.

There being no objections, the rules were suspended.

JADE FOUNTAIN-TANIGAWA, DEPUTY COUNTY CLERK: Yes that is correct, that is my understanding. Before the Council would be action on the four (4) positions, if you notice in Article 1 it states the effective date as July 1, 2012.

Chair Furfaro: And then I reiterated that during our Budget discussions I said if we wanted to put these estimates in for those four (4) positions

and the body wanted to wait until we actually got the resolution. Now that we have the resolution and if we approve it, come July 1 we will have to amend the Budget for those four (4) positions.

Deputy County Clerk: I guess you could handle it in two (2) ways, the Council could amend the Budget to address the increase in salaries or they have existing line items within their Budget that they could utilize, make the adjustment, and utilize that the money from those accounts to make up the difference.

Chair Furfaro: Yes, I understand that, but then we are saying to the Police Chief you adjust items we previously approved so that you can increase your own salary, and that is not very, in the business world that is not very reflective of I think what we want the kind of independence we want from Department Heads. Council Vice Chair Yukimura. Please stay there, Jade.

Ms. Yukimura: Also, I think we were told that the line item had to be at the level authorized too, the Budget line item in the Budget, so it will require an amendment to that line item right?

Deputy County Clerk: Currently I believe the Police Chief is at about \$107,950.00...

Chair Furfaro: The total comes to \$14,400.00 and I would prefer to handle it as a Budget amendment.

Ms. Yukimura: I am saying I think a Budget amendment is probably in order.

Chair Furfaro: I think you are concurring with me.

Ms. Yukimura: Yes. Go ahead.

Chair Furfaro: I do not want you to decide you are going to give up the floor, do you have any more questions before I give it to Mr. Bynum.

Ms. Yukimura: I do have one (1) of Jade, if I may.

Chair Furfaro: You may.

Ms. Yukimura: Okay. Is there any harm in deferring this for one (1) meeting so that we can kind of just get some research done and understand fully the rationale?

Deputy County Clerk: Pursuant to the Charter, the Council has sixty (60) days to take action. Since it is on the agenda today, I believe we have another

Committee Meeting and then a Council Meeting, so there is time if you need it before the sixty (60) day...

Chair Furfaro: When does the taxi meter run on the sixty (60) days? Does it start on the date that we received it May 24?

Deputy County Clerk: No. Pursuant to the Charter it will, the sixty (60) days runs April 23 when the Commission took action.

Chair Furfaro: So that we all know, the clock starts on April 23. So to answer Vice Chair Yukimura's question, we can defer it until the next Council meeting.

Deputy County Clerk: Yes, or refer it to Committee, either one (1).

Chair Furfaro: Either one (1), okay. Thank you. Any more questions for Jade?

Ms. Yukimura: No. Thank you.

Chair Furfaro: Mr. Bynum?

Mr. Bynum: No.

The meeting was called back to order, and proceeded as follows:

Chair Furfaro: Okay. So what is the pleasure of the body here?

Ms. Yukimura: I would appreciate one (1) deferral, I just have not had time to look at all the information.

Chair Furfaro: Is there a second?

Mr. Bynum: Second.

Ms. Yukimura: I was not making a motion, I was just kind of saying this for discussion unless...and I will make a motion.

Chair Furfaro: I think we have had a lot of discussion on this over the last month.

Ms. Yukimura: Alright.

Chair Furfaro: If you want to do some more research I would suggest that we move on the deferral and give everybody another two (2) weeks to visit all of our previous notes.

Ms. Yukimura: Okay.

Ms. Yukimura moved to defer C 2012-73, seconded by Mr. Bynum.

Chair Furfaro: So it has been seconded by Mr. Bynum, I would like to call for the vote on a roll call vote to defer for two (2) weeks.

The motion to defer C 2012-173 was then put, and carried by the following vote:

FOR DEFERRAL: Bynum, Chang, Kualii, Nakamura, Rapozo, Yukimura, Furfaro	TOTAL – 7,
AGAINST DEFERRAL: None	TOTAL – 0,
EXCUSED & NOT VOTING: None	TOTAL – 0.

Chair Furfaro: Can we call the County Attorney up please. Al, you have the floor.

There being no objections, the rules were suspended.

AL CASTILLO, JR., COUNTY ATTORNEY: Council Chair, Councilmembers, good afternoon. The next matter for your consideration is ES-549 on:

ES-549 Pursuant to Haw. Rev. Stat. sections 92-4 and 92-5(a)(4), and Kaua'i County Charter section 3.07(E), the Office of the County Attorney requests an executive session with the Council, to provide the Council with a briefing and to request authority for a possible settlement proposal in Jane Doe vs. County of Kaua'i, EEOC Charge No. 646-2012-10052 and related matters. This briefing and consultation involves consideration of the powers, duties, privileges, immunities and/or liabilities of the Council and the County as they relate to this agenda item.

There being no objections, the meeting was called back to order, and proceeded as follows:

Ms. Yukimura moved to convene in Executive Session, seconded by Mr. Chang, and carried by the following vote:

FOR EXECUTIVE SESSION: Bynum, Chang, Kualii, Nakamura, Rapozo, Yukimura, Furfaro	TOTAL – 7,
AGAINST EXECUTIVE SESSION: None	TOTAL – 0,
EXCUSED & NOT VOTING: None	TOTAL – 0.

Council Chair Furfaro: Thank you. Members, our business outside of the Executive Session is finished and completed for today, I want to thank everybody for their work up to this Budget proposal that we are submitting and the very interesting opportunities we have had today to get an update on economic diversification, and we will have a deferral on the salary piece. At 2:00 p.m. please let us be in the Executive Chamber. Our business is complete for the day.

There being no objections, the meeting was in recess at 1:56 p.m.

ADJOURNMENT.

The meeting was called back to order at 3:04 p.m., and there being no further business, the meeting adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ricky Watanabe", written in a cursive style.

RICKY WATANABE  
County Clerk

/il

